FINANCIAL TIMES

US banking

This time reform might happen

Page 15

Lasers

From curiosity to ubiquity

Page 23

Bloomberg

'The Colonel Sanders of financial information'

Book review, Page 14

Today's surveys

Global Fund Management
Pharmaceuticals

Separate sections

World Business Newspaper http://www.FT.com THURSDAY APRIL 24 1997

Relief at end of 18-week Lima hostage siege

President Alberto Fujimori of Peru toured the wreckage of the Japanese ambassador's residence in Lima to celebrate the success of his troops in freeing 71 of 72 hostages held by left-wing guerrillas. The bodies of 14 dead rebels remained inside the building where they died in a surprise assault as they played soccer. The bloody end of the 18-week siege brought a widespread sense of relief but it was mingled with grief and the first sign of recriminations. Page 16; Mixed feelings, Page 10

Hewlett-Packard to buy VeriFone: Hewlett-Packard is to buy VeriFone, the leading supplier of credit card processing systems, in a \$1.2bn stock deal. The acquisition will "sharply accelerate the evolution and acceptance of electronic commerce" on the Internet, the companies said. Page 17

Nomura Securities suffered another blow in the wake of its bribery scandal. Central Japan Railway, one of six recently privatised rail operators, said it would use Nikko Securities to manage its offering, instead of usual partner Nomura. Saibu Gas and Toho Gas have also decided to exclude Nomura from forthcoming bond issues. Page 20. Editorial comment, Page 15

Disney beats expectations: Income growth at Walt Disney regained momentum in the second quarter, beating forecasts of 45 cents a share with a 63 per cent rise to 49 cents – from 30 cents last time – on revenues up 10 per cent at \$5.5bn. Michael Eisner, chairman, singled out the group's film-related and theme park divisions as principal contributors. Page 17

South Korea is to establish a "bad bank" system to prevent the nation's commercial banks collapsing from increased non-performing loans. The finance ministry's policy was adopted over other proposals to save the troubled banking sector, including bank mergers or permitting industrial groups to own banks. Page 16

Eurotunnel proxy battle: A tense battle is shaping up at Eurotunnel after shareholder activist leaders in France and the UK signalled they would be seeking proxy votes from investors with a view to blocking the company's £8.7bn (\$14bn) financial restructuring. Page 17

Jiang and Yeltsin warn: The presidents of Russia and China joined forces to oppose the emergence of a single superpower in the post-Cold War world, in an implicit bid to counter the growing influence of the US. Page 6

S Korean groups take Vietnam debt: South Korean trading companies have been holding urgent talks with Vietnam's central bank in an effort to settle substantial foreign currency debts owed by local banks. Page 6

Trial set to strain Mideast links: Egypt's deteriorating relations with Israel are expected to be further strained when an Israeli accused of spying in Egypt goes on trial today at Cairo's supreme state security court. Page 4

Trade sanctions: Hard on the heels of their dispute over the Helms-Burton anti-Cuba law, Brussels and Washington are trying to head off another clash over a US attempt to use trade sanctions to achieve foreign policy goals. Page 8

Japan's small companies hit hardest: Sluggish economic conditions and changes in the business environment are widening the gap between large companies and their smaller counterparts in Japan. Page 6

Nikko Securities, one of Japan's largest securities companies, is to introduce an internationally compatible system for presenting its accounts. Page 17

Philips in profit: Philips, the Dutch electronics group, pleased investors as it reported its first quarterly rise in profits since the end of 1995. Page 17

Fraudsters revel in fiscal paradise: International fraud in the European Union could be costing governments, companies and individuals up to \$77bn a year, a report commissioned by the European Commission has concluded. Page 3

Australian inflation rate down: Australia's inflation rate rose by 0.2 per cent in the March quarter, reaching an annual rate of 1.3 per cent – the lowest for four years. Page 6

FT.com: the FT web site provides online news, comment and analysis at http://www.FT.com

STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	6826.77	(-5.82)
NASDAQ Composite	1223.37	(+10.73)
Europe and Far East		
CAC40	2533.64	(+18.97)
DAX	3395.95	(+55.62)
FTSE 100	4387.7	(+41.6)
Nikkei	18736.47	(+191.02)

US LUNCHTIME RATES

Federal Funds	5½%
3-mth Treas Bills: Yld	5.575%
Long Bond	94⅜
Yield	7.058%

OTHER RATES

UK: 3-mo Interbank	6⅓%	(6⅜%)
UK: 10 yr Gilt	97⅛	(97⅜)
France: 10 yr OAT	97.85	(97.76)
Germany: 10 yr Bund	101.17	(100.97)
Japan: 10 yr JGB	106.0528	(106.2526)

NORTH SEA OIL (Argus)

Brent Dated	\$17.42	(17.66)

GOLD

New York: Comex	\$341.5	(341.6)
London: close	\$341.05	(341.55)

DOLLAR

New York: lunchtime		
£	1.6233	
DM	1.7121	
FFr	5.77315	
SFr	1.463	
Y	126.13	
London:		
£	1.6233	(1.6368)
DM	1.7124	(1.7112)
FFr	5.778	(5.774)
SFr	1.4613	(1.4555)
Y	126.115	(126.19)
Tokyo close:	Y 126.4	

STERLING

DM	2.7797	(2.8009)

9 770174 736142

Brussels forecast dismays Rome

European Commission says Italy's likely deficit will rule out first-wave participation in single currency

By Lionel Barber in Brussels and Robert Graham in Rome

The European Commission yesterday resisted pressure from the Italian government and published forecasts showing that Italy was not on course to be a founder member of monetary union in 1999.

The Commission forecast that Italy's deficit would fall to 3.2 per cent of gross domestic product this year, which is marginally above the 3 per cent target for entry into the single currency laid out in the Maastricht treaty. More damaging, the deficit is predicted to rise to 3.9 per cent in 1998.

Mr Romano Prodi, Italian prime minister, denounced the Brussels forecasts as "incomprehensible", his frustration heightened by the Commission's prediction that 13 other EU member states would meet the deficit criterion in 1997. Apart from Italy, only Greece failed to make the cut.

By raising doubts about Italy's drive for budget discipline, the Commission has aligned itself firmly with the German government and other monetary hardliners, arguing that countries must show "sustainable convergence" during several years to qualify for Emu.

Mr Yves-Thibault de Silguy, EU monetary affairs commissioner, said: "One-off measures are not enough. They must be supplemented. It is not enough to respect the criteria in 1997, and then not in the following years."

EU leaders are due to decide in early May 1998 on which countries meet the Maastricht treaty criteria covering inflation, exchange rate stability, interest rates, government debt, and public deficits.

The Italian government's reaction to the Commission's forecast offers a foretaste of the difficulties in the selection process, as well as the risks of a popular backlash in disappointed countries.

Italian ministers said yesterday the country was being subjected to more severe scrutiny than other EU members. But such comments could not hide the profound embarrassment of the Italian government, which has fashioned its policy round being in the first group of countries to join the euro.

The centre-left coalition government is making widely praised efforts to shrink the public deficit in 1997 by an amount equivalent to almost 4 per cent of GDP. But the latest mini-budget failed to convince financial markets and is struggling to make headway in the Italian parliament.

Senior Commission officials said Mr Prodi had telephoned Mr Jacques Santer, president of the European Commission.

Continued on Page 16
Brussels places its bets, Page 2
Observer, Page 15

IMF predicts faster world output growth

By Gerard Baker in Washington

The world economy is set to grow this year at its fastest rate for more than a decade and will sustain that pace through 1998, the International Monetary Fund said yesterday.

In its semi-annual World Economic Outlook, the IMF paints a broadly rosy picture of the global economy for the next two years, but warns that the US – the chief engine of the expansion – will need to raise interest rates again in the next few months to combat the risk of rising inflation.

The IMF forecasts that world output will grow this year and next by 4.4 per cent, up from 4 per cent in 1996.

The Group of Seven economies are expected to expand at a combined 2.6 per cent rate this year, against 2.2 per cent last year, led by stronger than expected growth in the US and the UK.

Next year the rate of expansion is projected to be the same, this time led by recoveries in Europe and Japan. But the IMF argues that the recent acceleration of demand growth in the US and UK will require the authorities in both countries to raise interest rates.

The US Federal Reserve raised short-term rates to 5.5 per cent last month, and the IMF said it expected tightening to about 6 per cent later this year. UK rates were raised in October, and should, says the IMF, be raised again.

But overall, global inflation is at its lowest in 30 years and expected to remain low. "We see no real risk of a major uptick in inflation in the leading economies," said Mr Michael Mussa, the IMF's chief economist.

Developing countries have recovered well from the unsettling experience of Mexico's financial crisis in late 1994. Overall, these countries are expected to grow by 6.6 per cent this year – up slightly from 6.5 per cent in 1996.

The report says global currencies are largely in line with countries' domestic policy needs, but warns that the recent rapid appreciation of the dollar against the yen may well produce a further deterioration in the trade imbalance between the US and Japan.

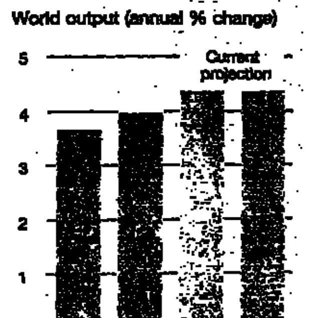
But several factors posed risks to the generally benign economic outlook.

High unemployment and weak growth in continental Europe could complicate government efforts to reach fiscal targets for economic and monetary union on time, a factor that might lead to financial market turbulence.

Rosy Future, Page 5
Unwelcome message, Page 12
Editorial Comment, page 15

IMF sees rapid growth

World output (annual % change)



Source: IMF

German finance minister Theo Waigel, centre, with Wolfgang Schäuble of the Christian Democrats, left, and Wolfgang Gerhardt of the Free Democrats announcing the collapse of moves to overhaul the country's tax system yesterday. Report, Page 16 Picture: AP

Saks falls 32% on earnings alert

By Richard Tomkins in New York

Saks Holdings, the up-market US department store group, saw its share price fall sharply yesterday after warning that first quarter earnings would fall far short of expectations.

In early trading, the shares lost \$9⅝ to \$19⅞ - a fall of 32 per cent - following a statement the previous evening that earnings would be about 20 cents a share, barely half analysts' consensus forecast,

The warning sparked worries on Wall Street that demand for luxury goods might be softening, hitting the stocks of fashion and design companies. Shares in Donna Karan International were off \$¾ at \$10¾, and shares in Gucci were off \$1⅞ at \$68⅞.

Saks' earnings shortfall was also bad news for Polo Ralph Lauren, the US fashion house planning a \$600m initial public offering, because it highlighted the volatility of profits in the fashion sector and could dampen demand for the offering.

Saks said profits had been hit by poor sales of its so-called bridge apparel, which bridges the gap between top designer clothing and less expensive ranges. It also blamed continuing softness in its Folio catalogue operation and a slowdown at its Off 5th stores, which sell marked-down goods.

Saks is the latest in a string of up-market retailers and luxury goods companies that have come to the stock market in the last year or so, only to disappoint investors. Its shares were offered at \$25 last May, opened at \$34⅞, and peaked at \$41.25 in October. Other disappointments have included Donna Karan International, Mossimo and Guess?. All saw their share

Continued on Page 16

P & U shares fall 14.5% on third profits warning

By Daniel Green in London

The third profits warning in six months from Pharmacia & Upjohn, the US-Swedish drugs company, knocked SKr39 or 14.5 per cent off the Stockholm share price and much of the optimism out of investors in the company yesterday.

P & U said sales had fallen by 6 per cent in the first quarter of 1997 and earnings per share would be down 16 per cent.

Mr Bob Salisbury, P & U's chief financial officer, blamed high costs, currency movements, wholesaler stocking patterns and competition for drugs that have lost patent protection. The statement contrasted with strong performances from most pharmaceuticals companies announcing their first-quarter results.

Analysts responded to the warning with downgrades. Lehman Brothers in New York changed its view on the company's share price from "outperform" to "neutral".

One London analyst, whose firm has been introducing P & U to institutional investors, said the latest warning had made business "very difficult".

Analysts and investors will have to wait until the official interim results are presented on April 29 to hear about plans for improving the company's performance.

Mr Salisbury echoed the view of Mr Jan Ekberg, acting chief executive, last week that the company had been over-ambitious in its cost-cutting plans.

Mr Salisbury added that sales of the anti-depressant Xanax and eye treatment Healon had suffered particularly from generic competition.

P & U's recently launched drugs were doing well but not well enough to offset the declines elsewhere in the product portfolio. The drug Xalatan, for glaucoma, had sales of \$29m and the cancer drug Camptosar had sales of \$49m. Both were launched last summer.

The merger of Pharmacia of Sweden and Upjohn of Michigan, in November 1995, was greeted at the time as good for both companies.

The company was set to be in the world's top 10 drug companies by sales but other groups have overtaken it.

Profits were projected to grow rapidly thanks to a projected \$500m a year in savings but, although the share price rose rapidly, the company had problems merging the two cultures and coping with an ageing product line.

Two profits warnings in the last quarter of 1996 were followed by the departure of Mr John Zabriskie, chief executive, in January.

CONTENTS

LONDON · LEEDS · PARIS · FRANKFURT · STOCKHOLM · MADRID · NEW YORK · LOS ANGELES · TOKYO · HONG KONG

Anglo's grip on SA economy 'loosens'

By Mark Ashurst in Johannesburg

The influence of South Africa's biggest conglomerates in the economy is shrinking in the wake of sharply falling bullion prices, asset transfers to promote black economic empowerment and the growth of new businesses.

This is according to McGregor Information Services, publisher of Who Owns Whom, an annual survey of the influence of companies listed on the Johannesburg stock exchange.

The survey claimed Anglo American, South Africa's biggest company, controlled nearly a quarter of the companies listed on the JSE. This included 48 companies comprising 24.4 per cent of the market capitalisation.

Its influence had been partly curtailed this year by the fall in bullion prices, which has caused the Johannesburg gold index to drop by almost a third. In November, McGregor estimated that Anglo controlled 28.3 per cent of the JSE. A decade ago, it controlled more than 60 per cent.

Anglo would not endorse the findings. "In the past, we have always questioned McGregor's calculations. In this instance, we have not reached a final assessment," said a spokesman.

Mr Simon McGregor, director of McGregor Information Services, the company, said the figures were based on his company's assessment of shareholders' influence. "Our calculations are not based on the market value of their shares, but on our assessment of the shareholder who is the largest voter and the full value of the companies they control," he said.

Thus McGregor found the influence of black-controlled businesses was greater than the market value of their investments. These so-called "black chips" were worth about 2.5 per cent of the JSE's total capitalisation of R1,206bn. But this enabled black-owned companies to control 8.6 per cent of the JSE, Mr McGregor said.

The influence of black groups had been boosted by Anglo's disposal of controlling stakes in Johnnic, a R10bn industrial holding company, and JCI, the world's sixth biggest gold producer, to consortia of black businesses and trade unions' investment trusts.

The changes have been encouraged by "unbundling" – the partial break-up of large conglomerates and disposals – greater foreign investment in South African equities and reforms to improve liquidity at the JSE.

McGregor said foreigners controlled 66 listed companies, representing 4.7 per cent of the market by capitalisation. At least three mini-conglomerates controlling more than 1 per cent had emerged this year.

Overall, the influence of South Africa's five biggest companies – Anglo American, Sanlam, Liberty Life, SA Mutual and Rembrandt – had fallen to 67 per cent, from 71 per cent last year. At its peak in 1987, McGregor estimated these five groups controlled 85 per cent of the JSE.

Tshisekedi in position for Zaire's endgame

Michela Wrong on the seasoned opposition leader determined to remain a key player

On his desk looking out on to a dusty courtyard in the Kinshasa suburb of Limete, *Mr Etienne Tshisekedi keeps* a sculpture of a hand making a V-for-victory sign. As the rebels march on the Zairean capital, the sculpture represents both a challenge and a question for the man who has personified opposition to President Mobutu Sese Seko for nearly two decades.

If he plays his cards right, the limelight beckons. If he repeats past mistakes, obscurity looms. Ironically, Mr Mobutu is not the only Zairean veteran whose very survival is threatened by the Alliance of Democratic Forces for the Liberation of Congo (AFDL).

Awareness of how much is at stake explains why the 64-year-old head of the Union for Democracy and Social Progress (UDPS), Zaire's main opposition party, recently plunged back into the political fray.

In the space of a few weeks "Tshi-Tshi" managed first to have himself nominated prime minister, the post he has claimed as rightfully his for years, and then, after a week in office, to be sacked by a president infuriated by a series of provocative announcements.

He brought violent protest, clouds of tear gas and live ammunition back to the streets of Kinshasa, trying to storm his way into the prime minister's office and calling a series of "dead city" days in defiance of a ban on demonstrations.

All this frenetic activity, analysts say, has been conducted with a single aim in mind. As Mr Mobutu's end approaches, Mr Tshisekedi is desperate to prove to Zaire's future rulers – Mr Laurent Kabila's AFDL – that he remains a key player in the country's political game.

"Tshisekedi has managed to make himself a talking point again," says an opposition sympathiser. "He has manoeuvred himself into a position where Kabila cannot afford to ignore him. Now he has to be taken into consideration."

There was a time when few would have questioned that.

Arrested, imprisoned and victimised for campaigning for multipartyism, Mr Tshisekedi was the opposition's unchallenged "leader maximo" for years. A former Mobutu ally who turned against the president in 1980, he enjoyed saint-like stature for refusing to bow to what many regard as Africa's most insidious dictatorship.

But by the 1990s his inability to bring about real change, combined with a tendency to quarrel with potential allies, whittled away his support.

"Tshisekedi destroyed the Mobutu myth and that is something we all owe him," says Mr Lambert Mende, a former spokesman who, like many others, parted ways with the burly leader. "He weakened the system, triggered its decline. But psychologically he is a demolition expert, not an architect. He cannot see a project through. He can only oppose."

For many Zaireans the last straw came when Mr Tshisekedi flew to the Riviera last year to court the ailing president he had once described as a "human monster". He announced Mr Mobutu had nominated him premier, only to be immediately contradicted. It was the greatest humiliation of his career.

Tshisekedi: although nicknamed 'Moses', the veteran leader has suffered humiliation

As the rebellion, which started in diamond-rich eastern Kivu province, gained ground, Zaireans embraced Mr Kabila as the saviour who was finally bringing concrete change. The man nicknamed "Moses" by supporters was in danger of becoming a historical footnote.

His latest actions, analysts say, have partly repaired that damage. Although the level of public support for recent stoppages was low when compared with the glory days of Zaire's opposition, it was enough to signal to the rebels that Mr Tshisekedi still has the power to smooth – or hinder – their entry into the capital.

In return he wants a seat at the table if negotiations take place between Mr Mobutu and the rebels. Above all, the UDPS seeks assurances that the rebels, who at one stage showed signs of leaning towards Uganda's no-party political system, will tolerate multipartyism in the post-Mobutu era.

"If Kabila doesn't want to talk to Tshisekedi, we'd know he wants to set up a one-party state and he doesn't want to free the people. We would fight him," says Mr Marcel-Laurent Mbayo, aide to Mr Tshisekedi.

There is little love lost between the two leaders. At rallies in occupied territory, Mr Kabila has repeatedly sneered at the UDPS leader.

The animosity is partly rooted in history. Appointed "justice commissar" in Mr Mobutu's first government, Mr Tshisekedi signed the arrest warrant for Patrice Lumumba, Zaire's first prime minister in 1961. Lumumba, who was assassinated soon afterwards, is Mr Kabila's political idol.

But there are solid practical reasons for Mr Kabila to suppress his bitterness and water down early threats to ban political parties. As the AFDL has moved beyond Kivu it is running short of administrators and fighters. With its far-reaching organisation, popularity and history of opposition to central government, the UDPS offers an obvious source of recruitment.

Having the UDPS on its side will also count when it comes to capturing hearts and minds in Kinshasa.

"If Kabila has any sense he will give Mr Tshisekedi a purely ceremonial post in a new government, keeping him away from any managerial positions," Mr Mende says. "He will pretend to collaborate. But he is not a philanthropist and, at the first *faux pas*, he won't hesitate to strike."

Spying trial set to strain Mideast links

By Mark Huband in Cairo

Egypt's deteriorating relations with Israel are expected to be further strained today when an Israeli accused of spying in Egypt goes on trial at Cairo's supreme state security court.

Mr Azam Azam, 35-year-old chief mechanic at an Israeli-owned garment factory in Cairo, was arrested in November on the eve of a Middle East economic summit in Cairo. He was accused of spying for Israel and damaging Egypt's national interests.

The Israeli government has denied the charges and called for Mr Azam to be released.

Mr Benjamin Netanyahu, Israeli prime minister, raised the issue with Mr Hosni Mubarak, Egyptian president, during a visit to Cairo in March.

At that time Mr Mubarak revealed that two other Israelis had been arrested on previous occasions and accused of spying, but had been turned over to Israel to avoid straining bilateral relations.

It emerged recently that two years ago Egypt executed an Egyptian for spying for Israel and is holding another man accused of selling military information to Mossad, the Israeli intelligence service.

Mr Azam could face life imprisonment if found guilty.

According to senior officials in Cairo, Egyptian plans to keep the case against Mr Azam quiet were scuppered by the Israeli government's calls for his release. Israeli officials say it was impossible to keep quiet about the case as Mr Azam's family publicised it following his arrest.

Mr Mubarak told Mr Netanyahu that he was not able to intervene once the case had been transferred to the courts.

Three other defendants – one Egyptian man, also under arrest, and two Israeli women, who are not in Egypt – stand accused with Mr Azam.

State prosecutors allege the Egyptian, Mr Emad Abelhamid Ismail, had agreed to help the two women spy for Mossad when he visited Israel to train workers at a garments factory. Mr Emad is alleged to have admitted receiving payment, with more to come if he continued providing information.

'We are sure that this man is innocent, and we hope the Egyptian court will find him so'

Mr Azam, who the prosecution claims has admitted his role but who denied the charges when he appeared in court in December, is alleged to have agreed to deliver women's underwear inscribed with invisible ink to Mr Emad. It is not clear what information was supposed to have been inscribed on the underwear, or what information Mossad is thought to have been seeking.

Israeli diplomats in Cairo were yesterday keen to prevent the case threatening links already seriously strained by the Netanyahu government's policy over Middle East peace.

"We hope that it will remain a legal issue," said Mr Koby Brosch, minister-counsellor at the Israeli embassy. "We are sure that this man is innocent, and we hope the Egyptian court will find him so.

"We trust the Egyptian court to dig deep into this case, and they will find that this man is not connected with any Israeli organisation."

French Socialists critical of Emu

By David Buchan in Paris

The French Socialist party yesterday highlighted its reservations about the European single currency at the outset of the French election campaign in a bid to win support from Eurosceptic parties further to the left.

Mr Dominique Strauss-Kahn, a former Socialist industry minister and co-author of his party's economic programme, said in a Le Monde newspaper interview, that the Socialists – who signed the Maastricht treaty on economic and monetary union for France – supported the single currency, but believed that its introduction should be "a political decision".

He rejected as "dogma" the treaty's economic criteria, in particular that government deficits must be no more than 3 per cent of total output. The euro must "counterbalance American domination and favour growth and jobs," Mr Strauss-Kahn said.

The Socialists have for several months tied their backing of the euro to four conditions – creation of some kind of political counterweight to the European central bank; promotion of growth and jobs; ensuring the euro is not overvalued against the dollar; and ensuring Italy and Spain join monetary union from the start. This last point is especially controversial because it would be unacceptable to Germany.

These conditions, however, have become central to the Socialists' plans to ally with the communists and with the small Movement of Citizens (MDC) that split off from the Socialists at the time of Maastricht. Mr Lionel Jospin, the Socialist leader, yesterday reached agreement with the MDC not to fight each other's candidates, after what the MDC called Mr Jospin's "significant adjustment" on the single currency. Mr Jospin is to hold similar talks with the communists next week.

Meanwhile, in a show of maximum unity against the left, President Chirac held a well-publicised 45-minute strategy session with Mr Edouard Balladur, his fellow Gaullist rival for the Elysée in 1995. Mr Balladur is now set to play a full part in the campaign led by Alain Juppé, the prime minister, and more of his supporters could enter a new centre-right government.

As the campaign gets under way this week, both left and right are seeking to paint each other as extremist or reactionary and themselves as modern and consensual. Mr Jospin angrily reacted to Mr Juppé's charge that his party's economic policies were "archaic", saying that Socialist policies offered France change which was "less brutal, more protective".

Early opinion polls show that many French fear further austerity measures after the election, if the centre-right is returned to power.

Mr Nicholas Sarkozy, a Gaullist ex-budget minister, denied this, saying plans for lower taxes might be accelerated. But he left no doubt that more public spending cuts could take place.

President Chirac, right, and Mr Balladur at the Elysée Palace after their meeting Reuter

IMF agrees $430m loan for Romania

By Anatol Lieven in Budapest

The IMF yesterday announced a $430m standby loan for Romania – an important vote of confidence in the country's new reformist government.

The World Bank is expected to follow with fresh or renewed lending of up to $530m next month.

The first IMF instalment of $86.2m will be available immediately, with the rest paid in four quarterly instalments, subject to Romania meeting or working towards IMF conditions.

The IMF arrangement aims to cutinflation to 2 per cent a month in the second half of this year, from a record 30 per cent in March; to reduce the current account deficit from $2.3bn last year to $1.4bn this year; and to increase foreign exchange reserves. The loan will also support social welfare measures intended to cushion the effects of economic reform.

Ms Vivien Ashton, a Bucharest-based adviser with the UK-backed Know How Fund, said the loan was as important psychologically as economically. "It is a vote of confidence in the new government, and a sort of invitation into the international arena."

The administration of President Emil Constantinescu and Prime Minister Victor Ciorbea greeted the IMF decision with undisguised relief, saying it marked the normalisation of relations between Romania and international financial institutions. It was an important step for which western strategic investors had been waiting.

In recent months, the government has carried out painful reforms to meet IMF and World Bank conditions and lay the basis for privatisation and economic growth. These have included price liberalisation, devaluation of the leu, spending cuts, a law allowing foreigners to own land, and publication of a list of big loss-making state companies slated for liquidation. This week, the central bank said it was withdrawing the licences of two bankrupt banks. Further measures in the pipeline include easing profit repatriation and improvements to securities markets.

In another move intended to break with the Ceausescu regime's legacy of over-developing unprofitable industrial sectors, the government announced plans to reduce Romania's crude oil imports by almost half, from 750,000 tonnes a month to 400,000 tonnes, by the end of this year.

This stems from a decision announced last week to close or break up two of Romania's biggest oil refineries. The programme has won praise from western observers.

A senior official of an American bank in the region said: "Everything I've seen leads me to think that Constantinescu and Ciorbea are both dynamic and personally honest. They know they have to change Romania's image and they are taking all the right steps to do this. Over the past year I've seen a really drastic and positive change".

The new president and government came to power last November in elections which ended seven years of rule by the Social Democratic Party of President Ion Iliescu, an offshoot of the former Communist regime.

Under the previous administration the IMF issued four standby loans. None of the loans was delivered in full because the government failed to meet the conditions.

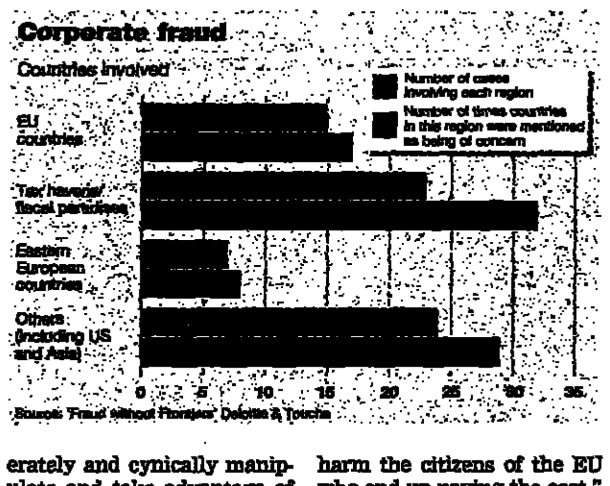
Last year, IMF and World Bank lending was suspended after the former government imposed foreign exchange controls and greatly boosted spending in the run-up to the elections.

EU fraudsters 'revel in fiscal paradise'

Report urges Brussels authorities to crack down on $77bn cross-border corruption

By John Mason in Brussels

Corporate fraud



Source: 'Fraud without Frontiers' Deloitte & Touche

International fraud in the European Union could be costing governments, companies and individuals up to $77bn a year, a report commissioned by the European Commission has concluded.

Crimes such as Internet abuse, counterfeiting, banking and investment frauds and smuggling pose an increasing threat which can only be countered by further international action, said Deloitte & Touche, the accountancy firm.

Harmonisation of laws and regulations, improved co-operation between states and a greater stress on fraud prevention are needed if EU economies are not to be undermined by international criminals, the report said.

Mr Will Inglis, the Deloitte & Touche partner responsible for the report, said: "There is clear evidence that determined fraudsters deliberately and cynically manipulate and take advantage of the different regulatory and monitoring regimes across the EU to perpetrate their frauds. In particular, we see the fraudsters taking advantage of havens of secrecy and fiscal paradises. Fraudulent activity in the Union has the potential to seriously distort competition and harm the citizens of the EU who end up paying the cost."

The report identified 10 areas of concern: computer abuse, banking frauds, counterfeiting, investment fraud, confidence tricks, public sector fraud, fraudulent bankruptcy, insurance fraud, smuggling and money laundering.

The type of crime varies considerably between countries. In the UK, financial services fraud is a problem because of the size of the industry, France suffers particularly from counterfeiting of luxury goods, while in Greece the smuggling of antiquities is second only to the drugs trade in terms of crime.

However, across the EU, the removal of restrictions following the creation of the single market and technological advances have opened up opportunities for fraudsters, the report said.

Perhaps the largest single threat comes from fraud through the Internet, Mr Inglis said. The potential for abuse of computer systems is huge, particularly since encryption technology is vulnerable to sophisticated computer abusers. The Internet is now also being used to manipulate financial markets.

In other areas, fraudsters are becoming more sophisticated. Insider dealers are making more use of offshore havens to avoid detection while criminal syndicates with knowledge of banking practice have cheated banks.

Not that frauds all need to be sophisticated. Italian investigators discovered that Libyan dinars were being taken to Naples to be literally "laundered" with a solvent and re-printed as D-Marks.

The incidence of cross-border frauds is increasing faster than those which take place only within one country, with organised crime playing a substantial role, the report said. Other perpetrators of fraud, although on a lesser scale, include senior company managers.

The report points to lack of legal harmonisation: In some EU states it is not even an offence to bribe somebody in a different country.

Action against fraud can also damage a member state's economy. The use of "offshore" havens, some inside the EU, remains a common feature of fraud. But with some EU economies closely linked to the offshore world, the incentive to push for reform in this area is limited.

Fraud, especially cross-border fraud, tends also to be given low priority compared to other crimes. There is also less political will to tackle money laundering when this involves fraud rather than drugs.

The report concludes there are four priority areas – increased legal harmonisation, improved co-operation between member states, a greater concentration on confiscating fraudsters' assets and developing awareness of fraud prevention.

Fraud without Frontiers, £95, Deloitte & Touche, 1, Stonecutter St, London EC4A 4TR.

NEWS: ASIA-PACIFIC

Larger groups recover more quickly in changing conditions

Japan's small companies hit hardest

By Gwen Robinson in Tokyo

Sluggish economic conditions and rapid changes in the business environment are forcing a widening gap between the performances of large companies and their smaller counterparts in Japan, says a government report released this week.

The findings also highlight the continuing dependency of the legion of small subcontractors and service companies on larger companies, an enduring feature of the country's industrial and commercial landscape.

In an annual survey of nearly 4,000 companies with capital between Y10m and Y100m ($80,000 and $800,000) from a range of sectors, including manufacturing and services, the ministry of international trade and industry found that small and medium-sized companies fell significantly behind their larger counterparts in the year to March – in almost every respect.

Compared with larger companies, smaller ones were less confident of their business prospects. Their production levels had recovered at a much slower pace than seen among larger companies; their capital investment was well behind the average among large companies; and their profit growth lagged significantly.

Larger companies' recent shift to more competitive imported products and materials has also heightened pressures on small companies, making it more difficult to raise prices and, in turn, squeezing their profit margins.

Many had also fallen behind in upgrading technology and related plant and equipment, because largely of a decrease in capital investment.

Manufacturers, in particular, were unable adequately to streamline their operations to cope with structural changes in the industrial environment, and had suffered from the "hollowing out" phenomenon, as increasing numbers of large companies moved their production facilities – and subcontracting business – offshore.

The ministry's agency for small and medium enterprises said that many smaller companies appear to have lost their traditional strength of taking a flexible approach to business.

It urged the companies to become more more agile, and enter strategic alliances with other companies. Smaller companies should make better use of outsourcing, so they can concentrate on core sectors in which they have a competitive edge, the agency said.

The outlook for small and medium companies is not encouraging, according to Mr Peter Morgan, economist at HSBC James Capel, who said the sector is facing a credit crunch. While bank deposits by individuals have been growing at about 5 per cent for the last two years, deposits in the corporate sector have fallen over the same period.

At the same time, the slowdown in bank loans to small and medium companies, which account for about 70 per cent of total loans on an "all banks" basis, was particularly marked, roughly paralleling the overall fall in the pace of bank lending.

"If there is a credit crunch, it has to be limited to medium and small firms," he said.

Jiang and Yeltsin warn on US hegemony

By Chrystia Freeland in Moscow

The presidents of Russia and China yesterday joined forces to oppose the emergence of a single superpower in the post-Cold War world, in an implicit bid to counter the growing influence of the US.

"No country should seek hegemony, practise power politics or monopolise international affairs," insisted the joint statement signed by Mr Boris Yeltsin, the Russian president, and Mr Jiang Zemin, the Chinese leader.

The display of warm relations between the Kremlin and its still officially communist neighbour to the south was welcomed by Russia's communist-dominated legislature, which was further charmed when Mr Jiang showed off his knowledge of Russian by concluding his speech in the local language.

The Chinese leader's five-day visit is scheduled to continue today, when Mr Yeltsin, Mr Jiang and the leaders of Kazakhstan, Kyrgyzstan and Tajikistan are expected to sign a five-nation treaty.

Few details of the document have been made public, but it is expected to reduce military tensions along the sometimes contentious border between China and the former Soviet republics.

The show of unity with Russia's eastern neighbour comes at a particularly opportune time for the Kremlin, which is acutely hostile to Nato's planned eastward expansion.

After months of heavy rhetorical attack, Russian leaders appear to have recognised that they are powerless to stop Nato enlargement, but that realisation has only made them more resentful of the US's increased international muscle.

Russia's disgruntlement was on display in the glittering hall of the Kremlin palace where the two leaders signed their joint declaration. After the ceremony, Mr Yeltsin, looking stiff and grave, warned: "Someone is longing for a single-polar world. He wants to decide things for himself."

However, Russian and Chinese leaders, whose relations are today as warm as they have ever been, stressed that they were not forming a formal alliance and that their partnership was not directed against any other nation.

"The new type of Russian-Chinese relations has no other meaning than bilateral co-operation and friendship," said Mr Jiang in an address to the Duma, the lower house of the Russian parliament. "These relations are not an alliance, they are not aimed against any third party."

Chinese officials also announced yesterday that Mr Yeltsin had accepted an invitation to make a return visit to China. The 66-year-old Kremlin chief, who has been dogged by health problems over the past year but seems to have sprung back, is expected to make the trip in November.

Asia's newest tiger tries to ride a storm

Justin Marozzi reports that the Philippines is working hard to avoid following Thailand into financial turmoil

The hunt for the next Thailand is taking its toll on the Philippine stock exchange.

On Tuesday, the market hit another six-month low on rumours of a financial crisis in two local property companies and fears of a collapse in the banking and property sectors which together represent about 40 per cent of the index.

Yesterday, it bounced back 53 points, a signal that the comparison with Thailand, whose financial sector has suffered a series of blows recently, is not without its doubters.

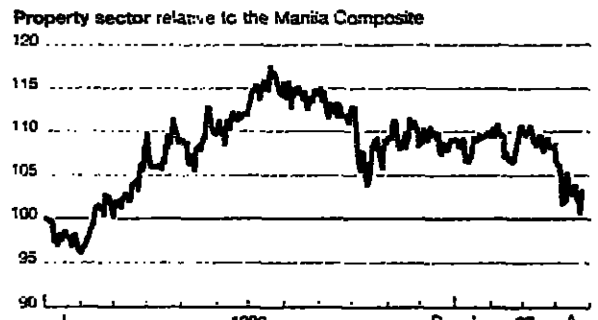
The Philippines, which likes to see itself as Asia's newest tiger, has been here before.

In 1995 it was regarded as the country most likely to repeat the Mexican financial crisis when an overblown external deficit and diminishing reserves led to a collapse in the currency.

Detractors were proved wrong that time when, confronted with sharp capital flow reversals, the Philippines central bank lifted interest rates and engineered a 7 per cent devaluation of the peso, averting a financial crisis.

The country is equally keen to show it is different from Thailand, whose financial sector has been rocked over recent weeks by the collapse of financial houses and property groups, periodic attacks on the baht and a flagging stock market.

Earlier this week, the Philippine central bank said it was reviewing banks' loan exposure to the property sector to ensure they were within the 30 per cent limit and all debts were secured by collateral.



Property sector relative to the Manila Composite

Source: Datastream

As in Thailand, the health of the property market is a key concern. In Makati, the capital's central business district and most accurate barometer of the sector, prices have risen three-fold in the past 30 months and a sharp slowdown in earnings is expected for companies in 1998 as excess supply comes through.

If and when the downturn does arrive, however, the main local property groups are expected to be able to weather the storm. Flagship companies, such as Ayala Land, Fil-Estate, SM Prime, Robinson's Land and Belle Corporation all ended 1996 with net cash and no significant property group had gearing much over 60 per cent.

What is playing havoc with investors' nerves are rumours – consistently denied – that Empire East and Megaworld are in serious financial difficulties. Both fell almost 30 per cent on Tuesday before recouping losses yesterday.

In the banking sector, there is more immediate unease. In spite of the recent efforts of Mr Gabriel Singson, governor of the central bank, to strengthen banks – including the lifting of capital requirements and the reduction of reserve requirements from 15 to 13 per cent – signs are emerging of trouble ahead.

Spectacular loan growth has not been matched by deposits as the Philippines has one of the lowest savings rates in the region. The loan-to-deposit ratio of commercial banks is on average 103 per cent.

The quality of loan portfolios is also suspected to be deteriorating and few believe the central bank's official figure for banks' exposure to the property sector of 10 per cent of total lending. Given the lack of transparency in their reporting and the ease with which a property project can be classified as a manufacturing loan, some analysts worry the true figure could be as high as 21 per cent.

"Is the Philippines the same as Thailand? The short answer is No," says Mr Angus Armstrong, chief economist at Deutsche Morgan Grenfell in Singapore. "However, those who believe there are no alarming similarities are being disingenuous."

The country's investment-led expansion, he points out, is not being financed through direct investment, which represents only 1.6 per cent of gross domestic product (GDP), but through rapid growth in offshore borrowing.

With the lure of "easy" offshore money, banks are exploiting the attractive interest rate differential and growing their foreign liabilities at a staggering 140 per cent a year.

The second parallel with Thailand, he argues, is the external deficit. Even taking into account the effect of remittances from overseas contracts worker – a traditionally strong contributor to the balance of payments – Mr Armstrong calculates the external deficit at 9 per cent of GDP.

Optimists argue that the Philippines, unlike other south-east Asian tigers, has never approached double-digit growth levels which threaten overheating. Last year, GDP rose 5.5 per cent, up from 4.8 per cent in 1995 and 4.4 per cent a year earlier.

For the decade from 1986, Thailand's GDP rose by an average of almost 10 per cent a year. Philippine exports increased 21 per cent last year. Thailand, by contrast, saw export growth slump from 25 to 0.1 per cent.

"Except for our trade deficit, the fundamentals are good," says Mr Renato de Guzman, head of ING bank in Manila.

"The budget is in place, we have had a surplus for three consecutive years, debt service as a percentage of exports is low, reserves are high and foreign exchange is stable. Thailand was a case of overdoing it and losing sight of the controls."

Some would say that the Philippines has the luxury of developing after its neighbours and learning from their mistakes. Whereas Thailand took four years to reach its nadir, runs this argument, the Philippines is only now beginning to exhibit warning signs which should presage corrective measures.

It will take more than market rumours to repeat Thailand's financial crisis but it will also require more than posturing by the financial authorities to avoid it.

"The Philippine central bank has more tools to deal with the situation than Thailand, such as introducing exchange rate volatility to discourage offshore borrowing," argues Mr Armstrong. "It's all very well talking about that. The question now is, when will they act?"

ASIA-PACIFIC NEWS DIGEST

Canberra hails inflation data

Australia's inflation rate rose by 0.2 per cent in the March quarter, reaching an annual rate of 1.3 per cent – the lowest for four years. The performance largely reflects sharply lower housing mortgage charges and falling car prices and compares with a 1.5 per cent year-on-year rate for the year ending with the previous December quarter.

The underlying inflation rate, a narrower and less volatile measure of inflation and the rate on which the Reserve Bank of Australia focuses, rose 0.4 per cent in the quarter, to be up 2.1 per cent over the year – well within the range targeted by the Reserve Bank of Australia.

Mr Peter Costello, the Australian treasurer, said yesterday the figures confirmed the country had one of the world's lowest inflation rates. But he sounded a warning on the pace of pay growth from enterprise bargaining arrangements.

The inflation figures, however, have brought calls from some economists for a further cut in official Australian interest rates, following a moderate A$10 ($US7.80) a week rise to the country's lowest paid workers on Tuesday. Unemloyment, officially running at 8.5 per cent, also continues to be high. The Reserve Bank cut official interest rates three times in 1996, from 7.5 to 6 per cent, the last cut coming in December. *Bruce Jacques, Sydney*

NZ ends postal monopoly

Several leading domestic and international freight and courier companies yesterday said they would begin full postal services next year following the surprise announcement by the New Zealand government to end the state postal monopoly.

A bill to deregulate post services, now run by New Zealand Post, was introduced into parliament yesterday by Mr Maurice Williamson, communications minister, in spite of an earlier pledge by the new coalition government that New Zealand Post was a strategic asset and would not be sold.

New Zealand Post directors had been pressing the government to privatise the profitable company. Mr Elmar Tolme, chief executive, welcomed the decision to remove its monopoly, saying the company was fully prepared to face the expected onslaught on its services by private companies. *Terry Hall, Wellington*

US sergeant held in Okinawa

A 33-year-old US serviceman was arrested on the southern Japanese island of Okinawa yesterday for allegedly indecently assaulting a 28-year-old local woman on Monday, a police official said. The official named the serviceman as Air Force Sergeant Danny Matlock, stationed at the Kadena base on Okinawa. The rape of a 12-year-old girl by three US servicemen in 1995 triggered the biggest anti-US base protests on the island in more than 30 years, leading to a US pledge last year to return some 20 per cent of Okinawan land used by the US military. Okinawa hosts the biggest US military bases in south-east Asia. Two-thirds of the 47,000 US troops in Japan are on the island, which accounts for less than 1 per cent of Japanese territory. *AFP, Tokyo*

Thai exports fall by 5%

Thailand's exports in February 1997 fell 5 per cent year-on-year, said the deputy finance minister, Mr Thawatwongse Na Chiang Mai, yesterday. He attributed the export fall to a strengthening of the Thai baht against the yen and the German mark, but gave no further details. "The Bank of Thailand had expressed concern about the sluggish exports. The bank will find some measures to solve the problem," he said. *Reuter, Bangkok*

Korean groups take brunt of Vietnam debt

By Jeremy Grant in Hanoi

South Korean trading companies have been holding urgent talks with Vietnam's central bank in recent weeks in an attempt to settle substantial foreign currency debts owed them by scores of debt-ridden local banks and traders.

The development is the first sign that a recent build-up of short-term trade debt by Vietnamese companies may be held mostly by South Korean exporters, bankers said yesterday.

That debt – which is putting pressure on Hanoi's foreign exchange reserves – consists of deferred and maturing letters of credit falling due this quarter. It is estimated by western economists at $800m.

One foreign banker said about 60 per cent of the deferred letter of credit debt was owed to South Korean trading houses, including Ssangyong, Kolon, Hyosung, Daewoo and Sunkyong. Companies from Japan and Taiwan are also thought to hold significant amounts.

The problem is awkward for the Korean companies, which gained an early foothold in Vietnam through aggressive pricing and credit terms.

One foreign lawyer in Ho Chi Minh City said he had been contacted by a Korean trading house interested in taking legal action to recover money owed under a series of letters of credits. But the company had not gone ahead for fear of sparking "a political backlash".

Last year, South Korea exported $1.6bn of goods to Vietnam, with $232m imported from the Communist country, according to the Korea Trade Centre (Kotra) in Hanoi.

Mr Han Jeong Hyun, Kotra Hanoi director, acknowledged that some Korean companies were in difficulty but said: "This is not a good time for me or the embassy to comment."

Bankers say the fact that the Koreans are talking to the central bank indicates that they are no longer willing to continue rolling over their Vietnamese debts, as bankers suspect they have been doing for over a year.

However, an official at the Ho Chi Minh City office of Kolon played down the problem: "I see it as exactly what was experienced in Korea when it was developing. Vietnam just has to manage it well."

The development is the latest in a series of revelations about the poor financial health of Vietnam's "joint stock" banks and their small, semi-private clients, both based mostly in Ho Chi Minh City. Many face severe liquidity problems as a result of letter of credit abuse and property deals that have turned sour.

That has prompted most foreign banks to wind down exposure to such banks. Vietcombank, the country's largest state-owned bank, is attempting to switch money deposited with the joint stock banks to foreign banks. However, foreign banks are nervous about existing exposure.

'I see it as exactly what was experienced in Korea when it was developing'

Their fears have been fuelled by the latest victim of the liquidity crunch, Viet Hoa bank, a Ho Chi Minh City joint stock bank run by ethnic Chinese businessmen. It is understood to have had problems with a foreign bank. "We have temporary difficulties at the moment," said Mr Truong Trinh An, Viet Hoa spokesman.

Bankers say the coming weeks will be a test of the central bank's resolve to maintain confidence in the banking system. "It's [the central bank] the joker in the pack. A few of them [joint stock banks] will have to be bailed out. It's a question of who," said one.

NEWS: INTERNATIONAL

World's future is rosy, says IMF

Report offers some of most glowing prospects for decades, writes Gerard Baker

Fast growth, low inflation, falling budget deficits – all underpinned by expanding international trade, structural reforms in labour, goods and capital markets, and sound monetary policies.

It may sound like an International Monetary Fund fantasy model, but it is how the IMF describes the performance of the world's economy in the late 1990s.

The IMF's semi-annual World Economic Outlook, published yesterday, provides one of the most glowing accounts of global economic prospects in decades.

World growth in 1997, at 4.4 per cent, is forecast to be at its most rapid in more than 10 years. That performance is set to be well balanced geographically, with growth above 2.5 per cent in all the main categories of country: advanced economies, developing countries, and countries in transition from socialism.

Further, the pace of growth is expected to be sustained through 1998, with little obvious risk of derailment, as an acceleration in continental Europe takes up the baton from slowing US, UK, Japanese and developing economies.

As the Fund's economists put it: "There are few signs of the tensions and imbalances that usually foreshadow significant downturns in the business cycle." Inflation is subdued, fiscal imbalances are being addressed, and exchange rates appear consistent with broader policy objectives.

Country by country, top marks go to the US and the United Kingdom, though the Fund warns that in both countries inflationary pressures are rising. Since last October, the IMF has raised its growth forecast for this year substantially by 0.6 percentage points to 3 per cent in the US and by 0.4 percentage points to 3.3 per cent in the UK.

But the US would need further modest rises in interest rates over the next few months following the Federal Reserve's increase in short-term rates last month. In the UK, the IMF says tighter monetary policy is inevitable if the authorities are to reach their stated inflation targets.

Other countries and regions are applauded. Japan's growth was the strongest in the Group of Seven last year. Though that is expected to moderate this year as fiscal policy becomes more restrictive, the IMF believes it remains on course for recovery.

Strongest improvements in 1997 are expected in continental Europe, with Germany and France returning towards long-term growth of about 2.5 per cent.

The rapid expansion in developing countries is expected to be little changed over the next few years. The Fund praises structural reform and sound financial policies. In the transition economies, the divergent performance between the best and worst was widening.

Inflation is expected to remain under tight control in the advanced economies, little changed in 1997 and 1998 from the 2.4 per cent rate in 1996, though the Fund assumes monetary policy tightening where necessary in those countries where inflationary pressures are rising. Even in the developing countries and the transition economies, consumer price inflation is expected to slow sharply over the next two years.

The IMF finds four risks to such a benign scenario:

Europe: Though the Fund says it expects the main continental economies to meet Emu convergence criteria in the next year, its forecast for the three main continental economies on current policies is that they will all have fiscal deficits above 3 per cent of GDP in 1998.

Continuing high unemployment and slow growth could force the Europeans to miss the target. That could lead to Emu delay and create turbulence in financial markets. The IMF warns again that European governments must tackle their long-term structural problems that keep unemployment high and raise social benefit costs;

Stock market volatility: The IMF echoes the concern expressed by Mr Alan Greenspan, Federal Reserve chairman, that the sharp run-up in stock prices in the past year is predicated on continuing strong growth in profits that may not come about.

But in contrast to the situation prevailing before the stock market correction of 1987, there are few signs inflationary exuberance has spilled over into the rest of the economy.

"A generalised over-valuation of asset prices, leveraged by increased indebtedness, does not appear to be present in most countries with strong stock markets," it says.

Strong capital flows to emerging market economies: These may have been a critical factor in fostering investment and growth in those countries. But higher global interest rates and financial problems in emerging countries cloud the outlook for continuing strong investment.

Growing risks of banking crises: The rapid rates of growth of the past few years in emerging markets was accompanied by some imprudent lending. Also, significant exposure to foreign exchange risk has adversely affected some banks, following the reversal of capital flows from abroad.

Despite potential dangers, it is clear the IMF believes the world economy's long-term prognosis has improved markedly in the 1990s. The Fund attributes much of this to globalisation of world business in the 1990s.

But, it says, the increase in globalisation is more often seen as a threat than an opportunity, especially in the most advanced economies. In a long analysis, the IMF's economists evaluate whether those fears are justified.

They examine the extent to which globalisation has been responsible for the decline in the share of manufacturing employment in industrialised economies and in the increased downward pressure on low-skilled workers' wages there.

They conclude: globalisation *per se* has played only a small role in these changes; rapid improvements in manufacturing productivity have been the main factor responsible for the shift in employment away from manufacturing to services.

The relative decline of wages for low-skilled workers is deemed to be a product largely of technological change which has raised the demand for higher-skilled labour. "The effect of globalisation in both these areas is not negligible, but is certainly small," said Mr Graham Hacche, an IMF economist.

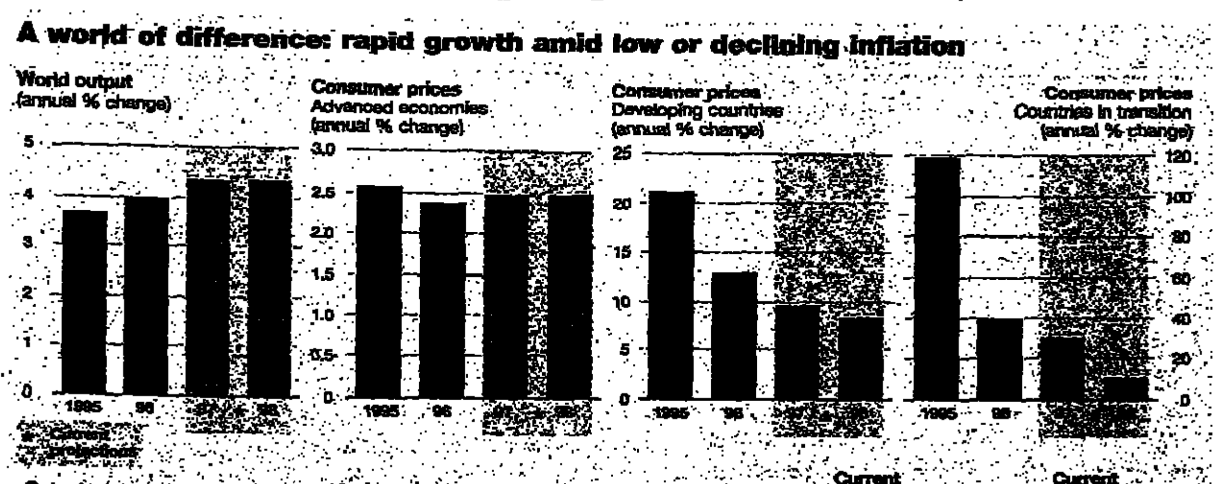
"It accounts for perhaps 10-20 per cent of the overall changes that have occurred there."

One large effect globalisation probably has had, the authors conclude, is on capital markets. Global money can move in and out of countries rapidly in response to policy changes, placing much greater pressure on governments to get policies right.

The IMF economists welcome this effect as a means of moving the world closer to the Fund's own ideal of fiscal rectitude and market liberalisation.

> 'There are few signs of the tensions and imbalances that usually foreshadow downturns'

A world of difference: rapid growth amid low or declining inflation



Output (annual % change)	1995	1996	1997 Current projections	1998 Current projections
Major industrial countries	[illegible]	[illegible]	[illegible]	[illegible]
US	2.0	2.4	3.0	2.2
Japan	1.4	3.6	2.2	2.9
Germany	1.9	1.4	2.3	3.0
France	2.2	1.3	2.4	3.0
Italy	3.0	0.7	1.0	2.4
UK	2.5	2.1	3.3	2.8
Canada	2.3	1.5	3.5	3.4
Developing countries	6.0	6.5	[illegible]	[illegible]
Countries in transition	-0.8	0.1	3.0	4.8

Source: IMF

INTERNATIONAL NEWS DIGEST

Harare accuses UK over flights

Zimbabwe has accused Britain of "blackmail" over an air traffic rights agreement following a Whitehall threat to ban one of Air Zimbabwe's flights to London's Gatwick airport. Harare had earlier agreed that British Airways could increase its number of weekly flights to Harare from three to four, thereby matching the frequency of Air Zimbabwe flights to London.

But the Zimbabwe authorities demanded that BA fly to Harare every Sunday, returning on a Monday to London, rather than a Tuesday-Wednesday cycle. Harare is opposed to the Tuesday-Wednesday flights as they compete directly with its national carrier's flights.

Air Zimbabwe says because of the dispute, its Wednesday flight to London has been banned by the British government. It is planning to fly passengers to Frankfurt and place them on London flights from there.

Air Zimbabwe says that because BA is using larger aircraft it is able to sell 2,400 seats on its three flights whereas Air Zimbabwe can offer only 1,182 a week. The row means both airlines will be restricted to three flights weekly until the row is resolved. *Tony Hawkins, Harare*

Tanzania plans telecoms sale

Tanzania's state-owned telecommunications monopoly will be privatised, probably within 12 months, despite opposition from its management, government officials said yesterday.

Mr Vuyo Wagi, for the Parastatal Sector Reform Commission, told Reuters that recent meetings to discuss the privatisation of Tanzanian Telecommunications (TTCL) involved the state-owned Tanzania Communications Commission and the ministry of communications and transport. He said the final decision on a timetable rested with Mr William Kusila, communications minister.

However, senior government officials familiar with the privatisation proposal said TTCL's management was resisting moves to sell off the company. They said government aid from Canada, Britain, Japan and Sweden – aimed at rehabilitating Tanzania's dilapidated communications sector – had encouraged TTCL's board to try to "go it alone".

TTCL officials declined to comment on the reports.

Despite attempts to modernise, Tanzania's telecoms industry is a model of inefficiency, with most telephone links to provincial centres patchy and unreliable. *Reuter, Dar es Salaam*

Nigerian troops deployed

Nigeria's military authorities yesterday said soldiers had been sent into the troubled oil-producing town of Warri in the country's mid-west region to restore order.

Warri residents, reached by telephone from Lagos, said soldiers were patrolling the streets and manning key sites in the town.

Anarchy has reigned in the town, 300km west of Lagos, since March 22, when clashes between armed youths broke out over the transfer of the local council headquarters from an Ijaw-dominated town to a town dominated by the rival Itsekiri tribe.

The death toll has risen to about 65 since April 12 when clashes resumed. A curfew imposed after the March clashes was lifted last week. *Reuter, Lagos*

Call to speed China WTO entry talks

By Tony Walker in Beijing

Mr Renato Ruggiero, director-general of the World Trade Organisation, yesterday called for more intense negotiations on China's entry to the trade body, saying negotiators should redouble efforts to achieve early agreement on "hard-core issues" such as market access.

"We have to build on our successes with a sense of urgency. We cannot lose time", he said. Mr Ruggiero, who had detected "greater flexibility" by Chinese leaders to talks on WTO entry, said negotiations were approaching a final phase, but achieving a breakthrough would be "tough".

"I am leaving the country satisfied we are at least approaching the final stages of negotiations," he said at the end of a four-day visit, during which he held talks with Premier Li Peng, Mr Li Lanqing, vice-premier in charge of trade, and Madam Wu Yi, trade minister.

Mr Ruggiero said negotiations in Geneva last March had provided a solid foundation for further progress at the next session, due in May. But he warned that much work needed to be done. There was no timetable for China's entry, but it was critical momentum be maintained.

He listed as achievements of the March session: agreement on trading rights, whereby foreign-funded enterprises enjoy the same rights as local companies to import and export; a Chinese commitment to implement intellectual property rights legislation on WTO accession; agreement on eliminating inconsistencies in regulations applying to foreign enterprises; and an undertaking not to go back on current measures liberalising the economy – a so-called "standstill" agreement.

Mr Ruggiero said further movement forward depended on the "political will" of the parties; he believed the Chinese leadership was now strongly committed to compromise.

But he warned that China was constrained by fears its offers of compromise would be rebuffed, and it would suffer embarrassment or loss of face.

"Their concern about going into a more flexible approach is that there will be unexpected difficulties."

China was hurt when its attempts to gain entry to the WTO as a founder member were rejected. Its leaders had been wary about a fresh rebuff.

Mr Ruggiero said market access issues were likely to prove most difficult. These included access to the services sector, including banking and insurance, and opportunities for agricultural exporting nations to penetrate the China market.

He hoped Beijing would formulate a realistic offer on market access in time for the May negotiating session in Geneva, but ultimately China's accession would require an act of political will on all sides.

"We need a strong political will to concentrate on the process," he declared. "My impression is that the Chinese have got the message. They are ready to show flexibility, too."

Renato Ruggiero: building on successes

Push to head off clash on Burma trade curbs

Hard on the heels of their bitter dispute over the Helms-Burton anti-Cuba law, Brussels and Washington are seeking to head off another clash over a US attempt to use trade sanctions to achieve foreign policy goals. This time, controversy centres on legislation passed not by the US Congress, but the state of Massachusetts.

The European Union is protesting about a Massachusetts law enacted last year which prohibits purchases by state-owned bodies from companies "doing business" in Burma. The state has black-listed about 150 foreign companies, including Honda, Nestlé, Siemens and Unilever, and some 40 US concerns, including Mobil, PepsiCo and Procter & Gamble. None of the companies is reported to have been excluded from bidding for a state contract so far, but the EU says the law violates a World Trade Organisation agreement committing Massachusetts and 36 other US states to open public procurement to international competition. The EU is threatening to challenge the law in the WTO's disputes procedures.

Neither Washington nor Brussels wants such a confrontation, since it could force the federal government to defend in the WTO a law which manifestly embarrasses it.

US diplomats have been in talks with Massachusetts authorities and will meet European Commission officials in Washington on Monday, hoping to reach a compromise.

The dispute is regarded as an important test case, because the Massachusetts legislation reflects a growing trend. By some counts, more than 30 US states, counties and cities have enacted or plan sanctions laws. Most aim to put pressure on Burma over its human rights record.

Recently, the range of targets has widened. The Massachusetts state assembly is working on a bill designed to penalise Indonesia for its repression of the former Portuguese colony of East Timor. New Jersey, Chicago and the state and city of New York are considering sanctions against Switzerland because of its role in the Nazi gold affair.

Many of the proposals call for secondary boycotts against companies with business interests in the target countries. The New Jersey bill is particularly sensitive; several Swiss companies, including Ciba-Geigy and Novartis, have their US headquarters and extensive operations in the state.

Sanctions enthusiasts insist they are acting legally. "We have the right and ability to use state-level restrictions to respond to legitimate public concerns," says Mr Marc Pacheco, a Massachusetts senator co-sponsoring the state's Indonesia bill. But critics say the laws are crude weapons crafted by politicians seeking votes.

Growing alarm has led US and foreign companies, and several foreign governments, to mount lobbying campaigns in Washington and state capitals. They say sanctions hurt US exporters, have little effect on target governments, risk international retaliation and discourage foreign investments on which many US state economies depend.

Signs are these arguments are having some impact. California recently deferred consideration of a Burma sanctions bill; Senator Pacheco plans to re-work his Indonesia proposal to bring it into line with WTO rules. There is also talk of a similar amendment to Massachusetts' Burma law.

That might settle the immediate dispute with the EU. But it could merely encourage a switch to other, equally controversial, measures not prohibited by WTO rules, such as state bans on investments in companies with business links to countries accused of human rights abuses. Mr Pacheco is considering inserting such a ban in his Indonesia bill.

US supporters of sanctions laws do not accept they are ineffective or self-defeating. They claim US state investment bans against South Africa helped bring about its change of government, and recent anti-Burma laws have prompted companies such as PepsiCo and Apple Computer to sever ties with the country.

Opponents fear US President Clinton's imposition this week of federal sanctions on Burma will add fuel to the fire. Some think his action will be seen as vindicating sanctions, and encourage human rights groups and ethnic communities to press state legislators to pass further discriminatory laws.

"There is a danger that any group which cares about political conditions anywhere in the world will be pushing its own sanctions proposal, directed against Greece, Turkey, Pakistan or wherever," says Mr Tod Malan, head of the Organisation for International Investment, a Washington-based body which represents multinational companies.

Opponents say state sanctions laws are unconstitutional because they encroach on the federal government's right to determine foreign policy. They claim the administration could easily halt such legislation by challenging it in court, but has shrunk from doing so.

"Washington is scared to death because it does not want to be accused of being soft on human rights," says one state government official. Some observers believe controversies about foreign campaign contributions have also weakened the administration's will to act.

"If President Clinton sued Massachusetts over its Indonesia sanctions bill," said one, "his political opponents might allege that he was doing so because Indonesian interests had helped fund his re-election campaign."

But Unless Washington decides to lay down the law, some companies believe their only hope of stemming the sanctions tide may be to turn to the US courts themselves.

Guy de Jonquières

Washington's imposition of economic sanctions against Burma amounts to interference in Rangoon's internal affairs, Vietnam said yesterday, Reuter reports from Hanoi.

Economic sanctions were contrary both to the principles of equality and mutual benefit and the global trend in international relations, the Vietnamese foreign ministry declared. On Tuesday, the US said it would ban new investment by American companies in Burma because of what Washington described as deepening political repression by the ruling State Law and Order Restoration Council (Slorc).

Slorc has been accused by human rights groups and western governments of widespread abuses.

WORLD TRADE NEWS DIGEST

SA exports of wine rise 35%

South African wine exports increased 35 per cent last year to 11.1m cases, the highest on record, and prospects for the Cape wine industry are likely to be buoyed by a bumper harvest this year.

Mr Lourens Jonker, chairman of KWV, the co-operative-turned-cartel which dominates the local industry, said this year's crop could be the third largest in history.

"Indications are that the crop could be about 984m litres. This will be approximately 3 per cent smaller than last year's record crop," he told the KWV's annual meeting yesterday.

The most optimistic forecasts suggest South African wine exports could double to R1.1bn ($250m) by 2000. KWV officials said exports had mushroomed by 1,300 per cent over the last seven years, from 855,000 cases in 1990. Previous estimates of 1995 exports had been revised upwards to 8.2m cases, from 7.7m. Exports earnings last year reached a record R550m in foreign exchange.

The devaluation of the rand and moves to promote more aggressive international marketing could increase the appeal of Cape wines among foreign buyers. The largest market is Europe, where Britain is the biggest consumer.

Last year the KWV membership of 4,571 wine farmers voted to transform the organisation, which is based at Paarl in the Cape winelands, into a private company.

The move is intended to foster a more commercial approach at the 79-year-old co-operative, but was stalled earlier this month by Mr Derek Hanekom, agriculture minister.

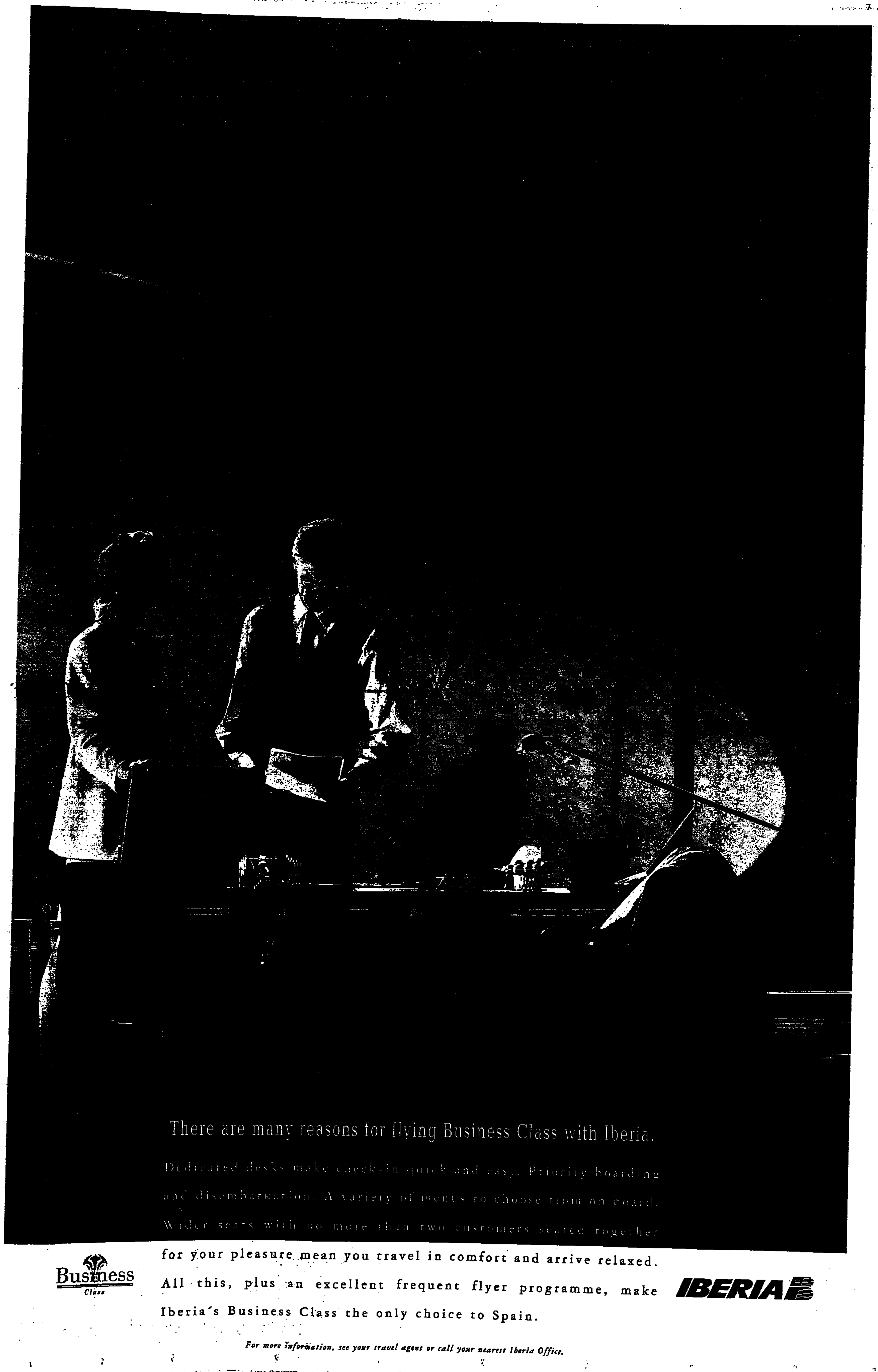
Mr Hanekom, who has launched an inquiry into KWV and the regulation of the wine industry, is wary of the co-operative's assets – estimated to be worth R2bn – passing into private hands. *Mark Ashurst, Johannesburg*

Contracts and Ventures

■ Lurgi, the engineering unit of Metallgesellschaft, has won a contract through its joint venture with an Egyptian company to build a drinking water plant at Al Sheikh Zayed City, a Cairo satellite town. The project will produce 500,000 cubic metres of drinking water a day, sourced from the river Nile. Lurgi said that the Egyptian government would invest about $60m in the project, which is also to be financed by the Abu Dhabi Fund for Development. *Foreign Staff*

■ Merck, the German drugs group, has set up a joint venture with a Chinese pharmaceuticals group to produce and market Merck products in China. Merck said it had invested DM50m ($29m) in the venture with China National Pharmaceutical Industry Corporation (CNPIC) and that Merck would be a 90 per cent partner. The market for pharmaceuticals in China was growing by 15 per cent a year, twice as fast as in the west, Merck said. It added that its experience in research and development, marketing and distribution would combine well with the Chinese partner's special local knowledge. *Reuter, Frankfurt*

■ Finnish telecommunications group Nokia Oy has signed an agreement with Advanced Info Services (AIS) of Thailand for turnkey expansions of GSM and NMT cellular networks. The three-year contract will have deliveries of about $110m. *Reuter, Helsinki*


There are many reasons for flying Business Class with Iberia.
Dedicated desks make check-in quick and easy. Priority boarding and disembarkation. A variety of menus to choose from on board. Wider seats with no more than two customers seated together for your pleasure mean you travel in comfort and arrive relaxed. All this, plus an excellent frequent flyer programme, make Iberia's Business Class the only choice to Spain.
Business Class
IBERIA
For more information, see your travel agent or call your nearest Iberia Office.

Triumphant Fujimori addresses troops (left); an injured hostage being carried from the embassy; and an uncertain Japanese foreign minister Ikeda (right)

Fujimori's new popularity does not disguise need to defeat causes of terrorism

Uphill task for Peru's instant hero

On the surface, Tuesday's 40-minute assault to rescue the hostages in the Japanese embassy residence in Lima restores at one bold stroke the tarnished prestige of Peru's armed forces and turns their commander-in-chief, President Alberto Fujimori, into an instant hero.

It may even encourage him to pursue his ambition to stand for a third term as the country's president in three years' time.

But despite the military success Mr Fujimori still faces an uphill task to eliminate violence and terrorism in a country where authoritarianism is part of the problem.

The strike was carried out with almost surgical precision, the boldness of the military tactics equalling or even outshining the audacity with which the Tupac Amaru (MRTA) guerrillas stormed the residence eighteen long weeks before.

Despite the difficulties of retaking the heavily defended building, the objectives were fully met. Only one of 72 hostages – a Supreme Court judge – died, and that of heart failure following a bullet wound; armed forces victims numbered just two. Pre-empting problems with subsequent trials and sentencing, all 14 MRTA militants were polished off in the first minutes.

An euphoric President Fujimori, characteristically assuming personal direction of the operation (nicknamed "Chavin de Huantar" after a pre-Inca fortress), has been unstinting in his tributes to the 140 commandos from all three armed forces responsible for the assault. He called them "patient, efficient and heroic". In a parallel tribute, delivered shortly after the residence was secured, he also praised the role played by the intelligence services, widely criticised for their lack of accountability and excessive influence in government.

Very few knew of the assault plan. The so-called commission of guarantors – the Canadian ambassador, the International Committee of the Red Cross (ICRC) and the Peruvian archbishop of Ayacucho – had maintained mediation efforts until a few hours before the surprise assault. Force had always, at least officially, been considered the last resort.

It is thought to have been the option favoured all along by President Fujimori and the military and intelligence high command, but it proved hard to justify. The hostages were largely well treated: the efforts of the ICRC ensured they were physically well cared for.

Tuesday's operation could hardly have been more spectacular. Many commandos erupted through tunnels painstakingly dug over months. Blowing a hole in the floor of the residence living-room, they surprised eight of the 14 guerrillas playing football. Tear gas and stun grenades coupled with simultaneous attacks at the front and rear of the building brought it swiftly under control.

The attack was planned after months of spying with microphones and infra-red censors that gave a precise image of the inside of the residence.

A local newspaper reported yesterday that professional miners brought in by police started digging tunnels in January, and that one tunnel caved in at one point, injuring several miners. Police played martial music over huge speakers outside the residence to mask the sound of the digging.

A rebel who said he had been monitoring radio links claimed the four youngest Tupac Amaru members tried to surrender before being killed. "They were in a room on their own. They gave up out of fear," he said. But troops had orders to kill.

All 14 rebels died. Seventy-one hostages were rescued; one Peruvian hostage and two soldiers died. President Fujimori said 25 other captives were injured. Most of the hostages were Peruvian officials; 24 were Japanese diplomats and businessmen.

With hindsight, the MRTA may have dug its own grave. On top of his intransigent demands for the release of prisoners, the guerrilla commander, Nestor Cerpa, gave President Fujimori the pretext he sought late on Sunday: medical visits to the hostages, said Mr Cerpa, would henceforth be restricted to once a week. Mr Fujimori's contingency plan at once came into play.

Political analysts yesterday agreed the dramatic televised assault will have an immediate and positive effect on the popularity ratings of what is referred to as Peru's governing "triumvirate" – President Fujimori, General Nicolas Hermoza Rios, armed forces chief, and Mr Vladimiro Montesinos, chief security adviser.

"The president's stock will probably rise and, very likely, the upper echelons of power in the armed forces and national intelligence service (Sin) will be strengthened," said one of the analysts, Mr Fernando Rospigliosi.

"The human rights crimes revealed in recent days will be forgotten, at least for the moment."

Mr Fujimori may now look forward to standing for a third presidential term in the year 2000. But three years is an eternity in Peruvian politics and the popularity boost of this week's success may soon subside. In the medium term voter concerns over poverty, unemployment, the under-performing economy and the continuing dearth of effective institutions will outweigh Tuesday's coup.

Japanese support for the Fujimori regime is likely to continue. Mr Ryutaro Hashimoto, Japanese prime minister, while admitting the assault had taken him by surprise, reacted positively. But the likelihood of Japanese sympathy translating into direct investment is more remote than ever.

Amid the general euphoria, some experts in counter-subversion sounded caveats. Mr Carlos Tapia, a respected sociologist, reflected that "real pacification is never achieved through military action."

Mr Isaac Velasco, an MRTA spokesman based in Hamburg, promised revenge actions from four commando groups. But the likelihood of a new upsurge of terrorist violence seems remote, for the moment at least.

With the killing of the 14 militants inside the residence, MRTA's fighting force is further depleted and its level of popular support highly restricted. Sendero Luminoso, historically the larger and more powerful of Peru's two guerrilla movements, is reduced to a largely unco-ordinated collection of isolated bonds operating sporadically in remote areas.

But it may be worth recalling the words, and the passion with which they were spoken, of Cerpa, the dead guerrilla commander, hours after he led the storming of the residence on December 17. It was the killing of six workmates in a police assault to break a 1979 strike that convinced him of the need for armed struggle. "You have to understand violence in Peru is structural," he said, "not the action of madmen."

If President Fujimori wants to eradicate terrorism, break the circle of violence and create a lasting peace in Peru, in the words of the political commentator Mr Jaime de Althaus "he needs to establish greater institutionality and reduce the arbitrariness and authoritarianism of his current regime."

Sally Bowen

Mixed feelings reign in 'over-cautious' Tokyo

By William Dawkins in Tokyo

The success of the Peruvian hostage rescue was the cause of a mixture of celebration and unease in Japan yesterday.

The Peruvian security forces' raid on the Japanese ambassador's residence in Lima was carried out without consulting the Tokyo government and against its often repeated policy of seeking a peaceful solution, regardless of the time needed to achieve one.

Mr Ryutaro Hashimoto, the Japanese prime minister, appeared uncomfortable when he had to say that while he was delighted about the release of the hostages, he regretted he had not been informed in advance. The prime minister learned of the attack by television, said an official. Far from dancing in the streets, like the residents of Lima, Tokyo's residents carried on business as usual.

These contrasting images gave rise to unfavourable comparisons yesterday by several commentators, between the decisive stance of the Peruvian government and Japan's tentative approach to handling this and other crises.

Mr Kenichi Ito, professor of international politics at Aoyama Gakuin University, accused Tokyo of failing to make a substantial contribution to lifting the siege. This was, he said, another example of "insubstantial ways of thinking about how to ensure national security that have prevailed in post world war two Japan." The classic earlier instance was the government's initial reluctance to provide help in the Gulf war.

Mr Atsuyuki Sassa, a former government security adviser, added that Mr Fujimori's uncompromising stance against terrorists should be commended. That view was popularly shared, according to street polls carried out by the media. One housewife captured the mood in remarking: "Japanese politicians talk a lot but don't make moves. Fujimori took the initiative."

That lesson was taken to heart by several Japanese business leaders, who espoused the use of force against terrorism when necessary, a break with their former tendency to give in to kidnappers' demands.

Others were more muted, in line with the traditional caution that has influenced Japanese companies to pay ransom demands, thus exposing themselves to criticisms of encouraging terrorism.

The most recent example of corporate willingness to place individual employees' safety above wider interests is Sanyo Video Components, the electronics company, which last August paid $2m to obtain the release of an executive kidnapped in Mexico.

But even if qualified, yesterday's corporate support for the Peruvian government's action does contrast with Japanese companies' previous reluctance to confront terrorists, verbally or in any other way. On the evidence of yesterday's response to the rescue, many in Japan now feel emboldened to take a less weak stance against terrorism, rather than leave it to foreign governments to show an example.

Editorial Comment, Page 15

Albright to take tough Moscow line

By Bruce Clark in Washington

Mrs Madeleine Albright, US secretary of state, announced yesterday that she would go to Moscow next week with an uncompromising message on the issues that are holding up a breakthrough in Russia-Nato relations.

She was addressing a committee of the US Senate, where separate deliberations were starting on Nato enlargement and the treaty outlawing chemical weapons. A vote on the treaty is expected today. Both issues are seen as big tests of the Clinton administration's credibility in foreign affairs.

In an implicit assurance to the Senate that the US would not offer Russia too many 'sweeteners' to secure its assent to the enlargement of Nato, Mrs Albright made plain that she saw little room for further flexibility.

US officials were surprised when President Boris Yeltsin, after a meeting last week with Germany's Chancellor Helmut Kohl, seemed certain Russia and Nato would be ready to seal a broad partnership next month. Nato says its accord with Russia, whose signature is tentatively scheduled for May 27 in Paris, will only go ahead if the two sides can settle their differences over how much freedom of action the western alliance would have to deploy forces on the soil of new members.

Nato has already said it has no reason to deploy nuclear weapons on the eastern edges of an expanded alliance – or to station in that region a significant number of US or western European troops.

Neither of these pledges amounts to a binding commitment not to send nuclear weapons, armour or troops eastward under any circumstances. That is the pledge the Russians would ideally like. Russia also wants to restrict Nato's ability to install military infrastructure on the eastern fringes of an expanded alliance.

Nato is insisting it will issue invitations to new members – probably Poland, the Czech republic and Hungary, and possibly others – at its Madrid summit in July, regardless of whether it has reached an agreement with Russia.

While a clear majority of the Senate has indicated broad support for Nato enlargement, there are sceptics in both parties who are apprehensive about the cost or fear sweeteners to Russia will cancel out the benefit.

General John Shalikashvili, the US armed forces chief, cited the need for Nato unity yesterday as he joined President Bill Clinton yesterday in urging the Senate to ratify the chemical weapons convention. "Every one of my Nato counterparts supports the CWC," said the general.

The CWC, a treaty which has deeply divided the Republicans who occupy 55 of the 100 places in the Senate, drew support yesterday from Mr Bob Dole, the former presidential candidate and Senate majority leader.

"Is it perfect? No, but I believe there are now adequate safeguards," he said, citing the assurances the administration has given Republicans about a range of issues including the risk of intrusive inspections of chemical facilities in the US.

Senator Trent Lott, the new majority leader, made clear the crucial issue would be the administration's ability to soothe concerns about articles 10 and 11 of the CWC. Sceptics fear these articles could force the US to share chemical weapon technology with rogue nations.

AMERICAS NEWS DIGEST

US accepts 1m immigrants

Nearly 1m foreigners were granted permanent resident status in the US last year, reversing a four-year decline in legal immigration rates. About 915,900 people immigrated legally last year, a 27 per cent increase over the 720,461 people granted permanent resident status the year before, the Immigration and Naturalisation Service said.

Nearly half of the new arrivals clustered in just three states: California, New York and Texas. Other leading destinations were Florida, New Jersey and Illinois.

While the 1996 numbers mark an upswing from the past four years, legal immigration rates remain well below the highs posted at the turn of the century. Last year's increase is due in part to a 1986 law that provided amnesty to nearly 3m illegal immigrants. As those immigrants became citizens after five years of legal residency, they in turn have been bringing in spouses, children and parents. *AP, Washington*

Evangelist Reed to quit

Mr Ralph Reed, who mobilised millions of evangelical, conservative Christians into a powerful political force, announced yesterday he was stepping down in September as director of the Christian Coalition. He said he would set up a political consultancy company probably based in Atlanta to help the election prospects of conservative candidates opposed to abortion. He said he had no current plans to seek elective office himself.

Known for his boyish looks, he spent eight years at the Christian Coalition, created by television evangelist Pat Robertson. Its annual budget grew from $200,000 in 1989 to $27m last year. Today, it claims 1.9m dues-paying members in 2,000 chapters. In last November's elections, it distributed 45m voter guides in 125,000 churches. *Reuter, Washington*

Mexicans urge army role

Mexican industrial leaders yesterday called for a greater role for the army in fighting crime. "The correct thing to do is reduce delinquency and for that the participation of the army is needed," Mr Jorge Marin Santillan, president of the Confederation of Industrial Chambers of Mexico (Concamin), said.

The concerns were raised at a Mexico City forum called Techno-Security 97.

Organisers said more than 400 bands of organised crime operate in Mexico City, often preying on retailers and reselling stolen goods on the black market. "The industry of organised crime, on top of robbing us, is an unfair competitor in selling our own products in the informal commercial sector," Mr Marin said. *Reuter, Mexico City*

Fake car rollover claim

Suzuki Motor says it has evidence Consumers Reports magazine faked a 1988 rollover test that killed sales of the Samurai and cost the company hundreds of millions of dollars.

Mr James Fitzpatrick, an attorney for the magazine, dismissed the Suzuki allegations as "having no basis in fact." Mr George Ball, general counsel for American Suzuki, presented films, documents and the sworn affidavit of a former Consumer Reports car technician as what it said was proof the magazine deliberately tipped a Samurai sport-utility model to get dramatic television footage of the vehicle approaching a rollover.

Mr Ball said the company obtained the materials last month through its lawsuit alleging that the Consumers Union, through its magazine, engaged in fraud and deception in obtaining and publishing the results of the Samurai rollover tests. Suzuki dropped the Samurai from its product line in 1995. *AP, Washington*

Grenada, Cuba sign accord

By Pascal Fletcher in Havana

Grenada, the Caribbean island where a US military invasion in 1983 ended four years' rule by a revolutionary government backed by Cuba and the Soviet Union, has moved to revitalise ties with Cuba by signing a co-operation agreement.

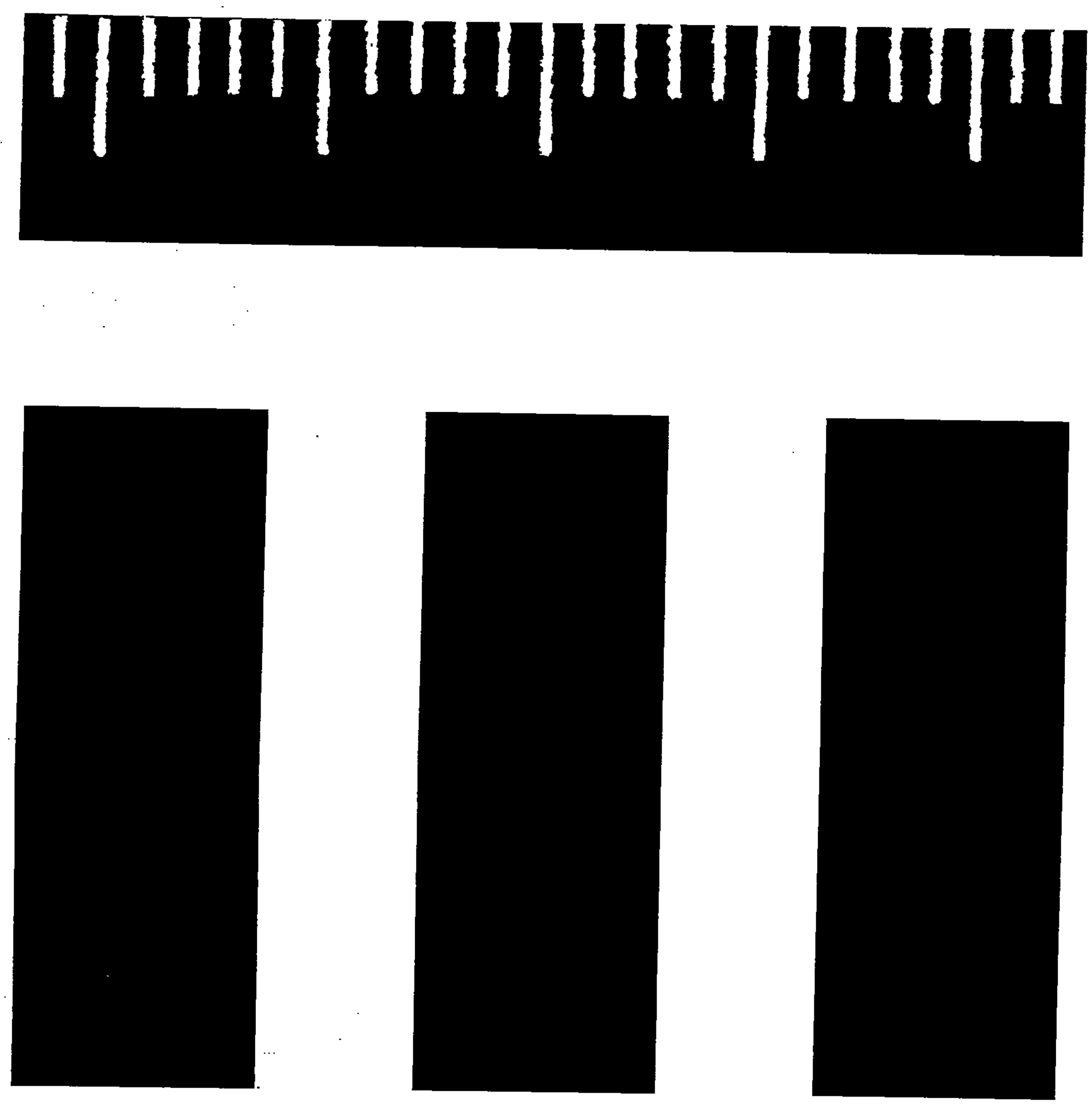
The accord was signed by Cuba's President Fidel Castro and Mr Keith Mitchell, Grenada's prime minister, on a four-day visit to Cuba.

It covered co-operation in health services, agriculture, tourism and sports, and included plans for Grenadans to train in Cuba. It foresaw Cuban technical support for farming and the processing of traditional export crops.

Mr Mitchell praised Cuba's contribution between 1979 and 1983 to health and education in Grenada and its help in building the Point Saline international airport.

"I issue a special invitation to the loving and kind Fidel Castro to visit our beautiful island," Mr Mitchell said. He put the warming of relations firmly in the context of Caribbean unity; such integration "was essential in a world of competing economic blocs".

Risk is our business.



Tailors of the unexpected.

Clearly, in the reinsurance business, strength derives as much from brainpower as financial muscle. But it is also a matter of balance and attention to detail. Of diversity and versatility.

Swiss Re is a global leader not least because its portfolio is so broadly spread across so many diverse risks in practically every country under the sun. The sheer diversification of our portfolio doesn't make individual risks smaller, but it does make the size of our overall exposure more manageable.

However, reach and resources are not the only reasons why Swiss Re is a world leader. There is a subtle difference that has put us where we are today, and that difference is subtlety.

We pride ourselves on our finesse in designing customised reinsurance solutions. We go to any lengths for our finely tailored products, however simple or complex the risk. The measures we take on our clients' behalf are informed by farsighted risk research and more than 130 years' experience in the business.

If you want to know more about Swiss Re and the finer points of reinsurance, fax us at + 41 1 285 40 98. Or visit our Website at www.swissre.com

Swiss Re

Growth 'tilting towards domestic demand'

IMF calls for early rise in interest rates

By Robert Chote and Richard Adams

The International Monetary Fund sent an unwelcome message to the contenders in Britain's general election yesterday, calling for an early rise in interest rates and a Budget package of tax increases or public spending cuts.

In its authoritative World Economic Outlook, the IMF warned that growth in the UK "may be tilting too much towards domestic demand". Its analysis was reinforced by official statistics and surveys showing continued growth in consumer spending combined with falling export orders.

The IMF raised its 1997 growth forecast from 2.9 to 3.3 per cent, saying sterling's strength posed no immediate threat to expansion. It said there was a risk inflation would exceed the government's target in 1998 and beyond unless action was taken to rein in demand.

"This would need to be achieved in the first instance through an early tightening of monetary policy", the Economic Outlook said.

"While the fiscal deficit has been reduced substantially in recent years, the November Budget tightened the fiscal stance only slightly further in the near term, and more fiscal action is needed to help restrain demand and alleviate the burden on monetary policy", it said.

The IMF made its recommendations as the UK Treasury published the minutes of the March 5 meeting between Mr Kenneth Clarke, the chancellor of the exchequer, and Mr Eddie George, governor of the Bank of England, the UK central bank. Mr George again argued for a quarter-point rise in interest rates to 6.25 per cent.

Mr George warned that domestic spending, especially by consumers, would mean the economy continued to grow at a rate which could not be sustained in the long term without pushing up inflation. The Office for National Statistics published figures showing continued growth in consumer spending last month.

Retail sales volumes rose by 0.3 per cent between February and March, giving an annual increase of 4 per cent. Excluding food, sales growth was even stronger.

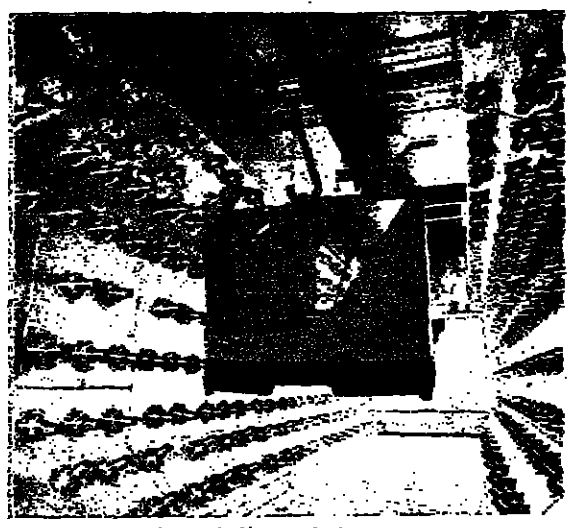
The Confederation of British Industry reported that domestic demand for manufactured goods remained strong, although exporters were hit by the recent rise in the pound's exchange rate.

The CBI's latest quarterly survey of over 1,000 manufacturers said a third reported higher UK orders since January. But the survey found export orders were at their lowest for four years.

Business confidence remains high. But optimism among factory goods exporters continued to fall, reaching levels last seen in the recession of the early 1990s.

Ms Kate Barker, the CBI's chief economic adviser, said that policy should be tightened to stop inflation rising.

Back in the big league



A truck body moves through the Linde production process

UK lift truck production

Company	Main factories	Output (units) 1992	1996	1997*	Employees
Nacco (US)	Scotland/ Northern Ireland	14,000	23,500	23,500	1,200
Linde (Germany)	Southern England	1,000	5,500	6,000	600
Jungheinrich (Germany)	Southern England	2,500	4,000	5,500	240
Crown (US)	Southern England	600	2,000	2,200	350
Halla (South Korea)	South Wales	—	—	1,000	n/a
TOTAL		18,100	35,000	38,200	2,390

* Projection
Source: Company information, industry estimates

Lift trucks industry makes itself at home

Britain is coming back into the big league in making lift trucks, even though it has no significant manufacturer of its own. Next month, Queen Elizabeth will open the UK's newest factory making the systems – a £19m ($30.8m) plant in South Wales being set up by Halla, a large South Korean machinery builder.

This year the world's Big Three lift truck producers – Nacco of the US and Linde and Jungheinrich of Germany – are expecting to make 35,000 vehicles in their UK factories, up 6 per cent on the 33,000 last year and twice as many as the 17,500 in 1992.

If Crown, the second biggest maker of lift trucks after Nacco in the US and which last month acquired its first UK factory, is added to the picture, then Britain will this year make more than 38,000 trucks – or some 8 per cent of world production. Lift trucks are used in factories, warehouses and distribution yards.

Since global lift truck output hit a low point during the early 1990s recession,

> Companies based in UK produce 8% of industry's world output

manufacture of the systems around the world has climbed an estimated 30 per cent to about 450,000 last year. This means UK production has been growing at some three times the rate of overall world demand.

Britain's truck production, three quarters of which is exported and is worth an estimated £500m a year, is the second biggest in Europe after Germany. The success of the UK's truck producers can be attributed partly to the companies being part of international groups which can feed output around the world.

Even though for much of the post-war period the UK has been a centre for lift truck production, until recently it was controlled mainly by medium-sized British-owned companies.

These included Lansing Bagnall, which was bought by Linde in 1989; Lancer Boss, taken over by Jungheinrich three years ago; and Hamech, a Basingstoke-based company with which Crown has had a manufacturing joint venture since 1992 and which was acquired by the US group last month.

While the UK companies were acknowledged leaders in design, they lacked the marketing muscle to make the most of their manufacturing ideas. Their thinly developed world presence also meant they suffered disproportionately if their UK customers stopped buying.

Mr David Toolan, manufacturing director of Jungheinrich's UK production operation, which has been renamed Boss, said a key factor behind his company's plans to double UK output this year was Boss's "ability to make use of Jungheinrich's international sales network".

Similarly, more than 70 per cent of the production from Nacco's two factories in the UK – which it took over in the 1980s after buying Yale and Hyster, two US-owned materials handling companies – is exported. Half the production from the UK ends up outside Europe, mainly in south-east Asia and the US.

The UK-based producers say a second reason for their relative success relates to the UK's good record in recent years in terms of economic growth and as a place for engineering-based manufacturing.

Mr Vic Parry, finance director of Crown's UK arm, said: "We see the UK as a reasonably deregulated market place in which it is not too hard to sell lift trucks. It also has had a fairly expansionist economy, with good mobility and flexibility among the workforce and competitive wage rates."

Halla cited similar reasons for bringing its first European factory to south Wales – an added attraction being a government grant for an undisclosed amount.

Peter Marsh

UK NEWS DIGEST

Honda chief in prices warning

Market pressures will force UK makers and importers of cars to keep price rises below the rate of inflation "for the foreseeable future", Mr Ken Keir, managing director of Honda (UK), warned yesterday.

He spoke in the run-up to next week's UK Fleet Motor Show which will coincide with the launch of a new generation of English-built Honda Civic models with higher specifications than the outgoing models but at prices averaging £500 ($810) less.

Honda's warning and price realignment reinforce the predictions of some independent motor industry analysts that the overall level of new car prices in the UK must fall – possibly substantially – if the industry's chronic overcapacity is to be reduced. Mr Keir's remarks will provide little comfort to rival Europe-based manufacturers, such as Ford, which are struggling to contain losses in the region.

According to research by Marketing Systems, an industry monitoring group, intense competition has already resulted in falling new car prices in most European markets. *John Griffiths, London*

■ KVAERNER GROUP

$44m order may save 500 jobs

Kvaerner, the Anglo-Norwegian shipbuilding and engineering group, yesterday announced a reprieve for up to 500 workers facing redundancy at its Govan shipyard in Scotland after winning a £27m ($43.7m) order for platform supply vessels. Staff at the yard, one of the last shipbuilders on the River Clyde, near Glasgow, have been told the company was reviewing plans to cut 40 per cent of the workforce – a move announced earlier this year when it lost a UK government order for two Royal Navy tankers.

The rethink follows Govan's success in winning the contract to build two platform supply vessels for Toisa, the Bermuda-based shipping company, with options for a further two 83m-long ships. *Tim Burt, London*

■ DEFENCE INDUSTRY

GEC fails to win aircraft work

The General Electric Company has failed to win a large slice of work on the £2bn ($3.25bn) programme to supply the government with new Nimrod reconnaissance aircraft for the Royal Air Force, despite government efforts to push the business in GEC's direction.

The failure to award the business to GEC was attacked by Mr David Clark, the opposition Labour party's defence spokesman, who claimed that the government's commitment to the British defence industry was a sham. British Aerospace and Boeing won a competition to supply the Ministry of Defence with the refurbished Nimrods last summer, while GEC backed an alternative US proposal. However, the MoD said at the time that GEC would have a "strategic partnership" with Boeing, which will supply the aircraft's electronics system. *Bernard Gray, London*

■ TELEVISION

Ratings dip for new channel

Channel 5, the new terrestrial television channel, suffered a sharp dip in its viewing figures in its second full week on air, according to the latest ratings figures. In the week ending April 13, Channel 5 took 2 per cent of total viewing compared with 3.6 per cent in its first week. The 2 per cent share compares with the 4.3 per cent achieved by Sky One, the cable and satellite channel which is available in far fewer homes. Pearson, owner of the Financial Times, has a stake in Channel 5. *Raymond Snoddy, London*

■ DAVID THOMAS PRIZE

US essayist is winner

The sixth David Thomas prize was awarded in London last night to Mr Gregory Palast of New York for an essay entitled "Secrecy, Democracy and Regulation". The prize of £3,000 ($4,860) was presented to Mr Palast by Ms Jenny Rossiter, chair of the Trustees. A runners-up award of £500 was made to Ms Beatrice Bray of London for a work on employment and mental health. The prize was established in memory of Mr David Thomas, a Financial Times journalist killed on assignment in Kuwait in 1991.

Polls suggest Labour lead is slipping

By John Gapper in London

The general election campaign

The leaders of the two main British political parties stepped up attacks on each other over European integration yesterday, amid signs that support for Labour has slipped a week before the general election.

After an ICM opinion poll found Labour's lead over the Tories had slipped to five percentage points, research for the Financial Times among two small groups of voters suggested they were having last-minute doubts about Labour.

The voters interviewed by FCB, an advertising agency, found the issue of European integration was becoming more important, and that voters were not convinced Labour could fund a series of spending pledges through existing taxation.

Mr John Major, the prime minister, told voters they should not trust Mr Tony Blair, leader of the Labour party, and said there was "a chasm" between the two parties on European integration and the European Union.

Mr Major said Mr Blair would "go cap in hand to Amsterdam to sign away control over much of Britain's booming economy", if he was elected on May 1. A summit of EU leaders is to be held in Amsterdam in June to discuss integration.

He said that Britain had not entered the EU "for socialism through the back door or for a federal Europe". Mr Major has made Europe the centrepiece of his campaign in spite of a split over the single currency inside his party.

However, Mr Blair said Labour would fight for British interests in Europe, and that the Conservatives' record on issues such as BSE, or "mad cow disease" was "a sorry saga of textbook incompetence".

Those interviewed in the FT/FCB study expressed scepticism about Labour. "All you see is a group of well made-up politicians who say the right things, and talk about what you want to hear," said one voter.

Others said that the Conservatives had "let everyone down" and had been in power for too long.

IMF call, Page 12

Candidates quit bizarre contest

'Sleaze' claims bring BBC reporter into battle, reports Liam Halligan

Anyone who thinks the British take themselves too seriously should visit Tatton in north-west England. Elsewhere in the country, the general election campaign is controlled and stage-b managed. But this former stronghold of the governing Conservative party is hosting Britain's most unorthodox constituency contest in living memory.

Tatton is essentially a two-horse race for Westminster between Mr Neil Hamilton, the sitting Conservative member of parliament, and Mr Martin Bell, a former BBC war correspondent. The candidates for Labour and the Liberal Democrats, the two biggest opposition parties, are nowhere to be seen.

Also on the starting blocks are eight "fringe" candidates – including Ms Burnel Penhaul, a bizarrely clad transsexual commonly known as Miss Moneypenny the Transformer – all of them attracted by the media circus which is Tatton.

The complex reasons behind this strange contest can be captured in one word – "sleaze". Of all the issues that have plagued the Conservative government, few have been as damaging as "sleaze" – a term used to summarise allegations made against Conservative MPs throughout much of the five years of the last parliament.

It is because Mr Hamilton is at the centre of these allegations that Mr Bell is presenting himself as an "anti-corruption" candidate.

A journalist for the past 35 years, Mr Bell wields a degree of moral clout as well as instant recognition with voters. He became a household name when, in front of his own cameras in Bosnia, he was hit by shrapnel below his flak jacket and writhed – live on screen – in agony.

Mr Hamilton has admitted accepting gifts and hospitality – including two stays at the Paris Ritz – from Mr Mohamed Fayed, owner of the Harrods department store in London.

The MP says he saw no harm in the Ritz visits, comparing them with Sir Winston Churchill's stays on Aristotle Onassis's yacht, but says he should have declared them in the parliamentary register.

When the left-leaning *Guardian* newspaper revealed the visits last year, Mr Hamilton, after a struggle, quit as trade minister.

Neil Hamilton (left) is fighting to survive as an MP after denying accepting "cash for questions" from Mohamed Fayed. Tim Smith (right) quit as an MP just before the election was called after admitting that he had received money from Mr Fayed for lobbying on his behalf

But crucially, Mr Hamilton denies being paid in cash for putting questions to ministers on Mr Fayed's behalf in the House of Commons.

The allegation that Mr Hamilton, among other Conservatives, received "cash for questions" brought such political pressure on Mr John Major, prime minister, that he ordered a special investigation last October for submission to the Commons committee on standards and privileges.

The committee's report is yet to be published. And Mr Major's decision to end parliament almost three weeks before it was strictly necessary means it will not become public until after the May 1 election, fuelling speculation that it contains some juicy information on Mr Hamilton. Yet Mr Hamilton maintains he is "innocent until proven guilty".

Mr Bell stepped into the election race amidst the public consternation caused by the non-publication of the report. Despite being recruited by Labour and enjoying logistic support from the Liberal Democrats, his relationship with the two main opposition parties remains unclear.

Mr Bell maintains he is "an independent", but both Labour and the Liberal Democrats have withdrawn their candidates from the Tatton contest to give him a fighting chance.

Having threatened to sue Mr Bell if he stood as an "anti-corruption" candidate, Mr Hamilton said his opponent's "independent" label "makes a mockery" of voters in Tatton. "Bell is a stooge of the Labour Party with Liberal Democrat support," Mr Hamilton says.

But the voters seem to disagree. Constituency polls suggest that Mr Bell has a good chance of winning. The most recent polls give Mr Bell 50 per cent, with Mr Hamilton gaining 39 per cent – a margin, which if repeated on polling day would give Mr Bell a comfortable 6,000 vote majority.

Court acts against French blockade

British ferry companies were last night hopeful of resuming sailings to the blockaded French ports of Calais, Boulogne and Dunkirk today after winning a court injunction in France ordering French fisherman to halt their action, our Transport Correspondent writes.

Court action by the ferry companies came on the same day that the UK Freight Transport Association sent a symbolic invoice to President Jacques Chirac seeking at least FFr800m ($138m) for delays suffered by European drivers during French truck blockades last November.

Mr David Green, association director general and president of the International Road Transport Union delivered a letter and the invoice to the French embassy in London. "French bureaucracy and procrastination means that there is presently no sign of any payments in the near future," the association said. P&O and Stena Line said they were diverting ferries from Calais to Zeebrugge in Belgium.

EU currency alarms party's business backer

Debate on euro is being stifled, says Conservative campaigner

Mr Paul Sykes, the millionaire businessman who has contributed to the campaign funds of Conservative candidates who oppose the single European currency, is angry at the threat he believes monetary union poses to British sovereignty. He is even more angry at what he sees as the deliberate stifling of the debate over the single currency by the political, business and media establishment, including the Financial Times.

"It's no good being wealthy in a country that's losing its sovereignty," says Mr Sykes, who insists it is not too late for the Conservatives to win the election. "They can definitely still win – on this issue."

The money will fund advertisements in national newspapers which will carry the results of polls Mr Sykes has commissioned.

Voters will be asked how much they know about the single currency and whether they would want sterling to join if it meant Britain joining a single European economy, as Mr Sykes insists it would. "I reckon it's going to be more than 80 per cent 'no'," he predicts.

Mr Sykes has been a Conservative party member for 26 years and was one of the biggest contributors to party funds last year with a donation of £214,000 ($346,680).

His business career has spanned scrap metal, property development and the information superhighway. The son of a miner, he left school at 15. His first money-making scheme was cutting up old buses for scrap. The break came when he found there was a big market for their diesel engines in developing countries. He soon had a thriving business supplying parts throughout Asia. "There are still a lot of Chinese junks sailing around with Sykes engines," he says proudly.

Back in the UK, the Paul Sykes Organisation branched out into bus refurbishment, distribution and leasing. But when the Japanese moved into his markets in Asia, he decided to sell up. He raised more than £30m which formed the capital for his second fortune in property development.

He was one of the first developers to move into London's Docklands – and one of the first to get out. "It was clear the infrastructure just was not there."

About 18 months ago he bought into Planet Online, which claims to be the leading commercial Internet service provider in the UK. His involvement with Planet left him with time to stand as a Conservative parliamentary candidate. But he stepped down last year in protest at the government's policy towards the single EU currency.

"I wouldn't have to do that now," he says. "John Major is the only leader of a major party who has promised a free vote on the issue. I think that is as far as he can go in his position."

And he is convinced it could be far enough to snatch the election.

David Wighton

More news of the election campaign can be found at the Financial Times website http://www.FT.com

Warning on fund manager changes

Pensions schemes which sack fund managers because of poor investment performance are usually making a mistake, according to WM, the performance measurement consultancy, our Investment Correspondent writes. WM found that over a five-year period pension schemes which appointed new managers tended to underperform those that made no changes.

However, WM also found that the average pension fund was likely to retain the same fund managers for about 10 years. Only 35 per cent of pension funds changed their fund managers during the period under examination.

WM said that the most common reason for appointing new fund managers was to improve investment performance. This led pension funds to pick fund managers who had recently achieved strong performance.

WM's analysis of 368 pension funds with assets totalling more than £285bn ($461.7bn) – half of the UK's pension fund assets – suggests that this strategy normally turns out to be the wrong one as the new investment managers are unable to keep their strong performance going.

Furthermore, the deposed managers often outperform the new managers in the period following the change.

Lex, Page 16

Economic Viewpoint · Samuel Brittan

Delusion of fiscal policy

Tax increases are not only unnecessary in the UK, they are also unlikely to be an effective means of curbing inflation – as history shows

The political environment is "very hostile" to tax increases, according to the UK Economic Analyst, published by Goldman Sachs, the US investment bank. It thus believes a Labour government would be unlikely to tighten fiscal policy in the budget it has promised for the summer if elected.

As a result, tax changes are likely to be neutral in impact, apart from the promised windfall tax on utilities to pay for a special employment programme. Tax increases in some areas would be offset by reductions in others.

The analysts at Goldman Sachs bemoan their own prediction. In common with much respectable opinion they believe a fiscal tightening would help reduce domestic inflationary pressures by putting less reliance on interest rate increases which tend to push upwards an already high pound.

Alas, I beg to differ. Too many British economic and financial commentators believe they are not doing their jobs unless they lobby for a tax increase – a view which finds a ready echo in the Treasury. Their arguments are not as consistent as they suppose. As one cynical economist said to me: "Would these people be arguing for tax cuts if sterling were regarded as being too weak?"

The case for tax increases cannot convincingly be based on the state of public sector finances. The table shows that the public sector borrowing requirement is on a rapidly falling path. It is likely to reach 1 per cent of gross domestic product in 1998-99 – hardly more than government capital expenditure. By the turn of the century, the borrowing should turn into a repayment. This is so even if one chooses less optimistic projections.

The view that the public expenditure plans are too tight to be achieved is mostly myth. As I showed in an Economic Viewpoint on November 7, the degree of overoptimism in the government's real spending projections in the last four years has not been high – it averaged about £700m or less than ⅒th of a per cent of GDP.

Sceptics who say, for example, that the plans for health service expenditure are unrealistically low forget three things. First, there is the "contingency reserve" which chancellors can, and do, use on priority items such as health. Second, the Treasury's good luck looks like holding for another couple of years, with inflation coming in below projection. Third, it is always possible for a new government to switch expenditure from one area to another while staying within the overall limits bequeathed by its predecessor.

In the present conjuncture the argument of the financial puritans is basically that tax increases would help to deflate home demand. The problem with this orthodoxy is that it ignores much evidence of the ineffectiveness of fiscal policy.

A test case came in the US during the late 1960s when President Lyndon Johnson attempted to curb inflation at the time of the Vietnam war with a tax increase. But the inflationary impact of the war was reined in only when the Federal Reserve tightened monetary policy. In the UK, policymakers were taken aback by the apparent failure of the 1967 devaluation to have any impact on the balance of payments despite the tough budget which followed it. In the end it required prodding from the International Monetary Fund in favour of monetary objectives before decisive results were seen from devaluation.

In fact, fiscal management has not been used to fine-tune domestic demand in the UK since 1974 when Denis Healey, then Labour chancellor, reduced indirect taxes before the second election of that year. The accepted doctrine since is that monetary policy should be used to adjust demand while fiscal policy should aim at a stable long-run balance between expenditure and receipts. Temporary deficits or surpluses due to the business cycle should be taken in their stride and not corrected by policy. This still seems much sounder than the siren voices in favour of a return to fiscal fine-tuning.

Why should fiscal demand management have been so unsuccessful? After all, if people pay more tax do they not have less to spend? The simplest explanation is Milton Friedman's "permanent income hypothesis". People have a rough intuitive idea of what their income is likely to be over a lifetime, or at least over several years. They therefore take temporary setbacks or strokes of good fortune in their stride.

If they have to bear a tax increase which does not look permanent, they will reduce their savings, run down their cash balances or borrow rather than reduce their standard of living. They will not do the latter until they have clear evidence that their former view of their prospects was too optimistic. Mostly, however, they try to avoid the slings and arrows of fortune by temporary changes in their saving or borrowing habits.

There is one theoretical exception which should in all fairness be mentioned. This refers to purely temporary changes in consumer taxes, such as Value Added Tax or excise duties. If increases are believed to be temporary it will be rational for households to postpone their purchases until these taxes come down again. They would still be acting in accordance with an unchanged view of their likely long-term income. Indeed, such thinking was behind the indirect tax regulator introduced in 1961 by Selwyn Lloyd, then Conservative chancellor – this allowed him to vary indirect taxes by up to a tenth in either direction. The regulator was used on a couple of occasions but has lapsed in the last 20 years.

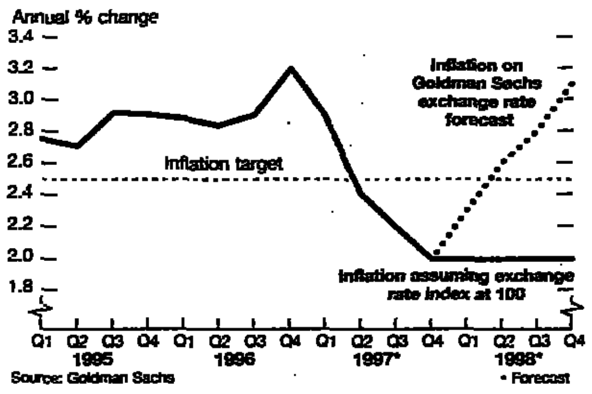
The problem here is boringly practical. If Gordon Brown were the next chancellor and raised VAT by a tenth or a fifth, how many people would believe he would reduce VAT again before long?

The commonsense assumption is surely that the "regulator" increase would be absorbed into the tax system and that if "tax cuts" were possible later they might be in different taxes altogether. That is exactly what happened both when Selwyn Lloyd used the regulator in an upward direction in 1961 and when Denis Healey used it to cut indirect taxes before the second election of 1974.

What direction, then, should financial policy take? For the time being, there is no need to do anything in the UK. If Mr Brown were to raise base rates by another ¼ point to 6¼ per cent as an olive branch to the Bank of England, there would be no prospect of such an increase is already taken into account in the level of sterling. But on the basis of Goldman Sachs's projection, there is no need to do much while sterling remains at anywhere near its present level. For the strong pound is imposing all the pressure necessary to offset rising domestic spending and keep inflation low.

If sterling falls back sharply, as many analysts expect, that will be the time to raise interest rates. But there is no need to pile on the agony on the traded goods sector on the basis of highly fallible forecasts while sterling is riding as high as it is.

Underlying UK retail price inflation



Source: Goldman Sachs • Forecast

UK budget balance projections

PSBR* (£bn)	1996-97	97-98	98-99	1999-2000	2000-01
Treasury last November	-26	-19	-12	-3	+8
Update by IFS	-23	-19	-11	-2	+7
More 'optimistic' projection	-23	-14	-2	+9	+22

Source: IFS • Borrowing shown as negative

BOOK REVIEW · Peter Martin

BLOOMBERG BY BLOOMBERG, by Michael Bloomberg
With invaluable help from Matthew Winkler
John Wiley & Sons, 252pp, $24.95

The Colonel Sanders of financial services

Michael Bloomberg runs a company called Bloomberg. Its best-known product is an electronic data terminal called "The Bloomberg". His new autobiography is called *Bloomberg by Bloomberg*. Does that tell you something about his character?

If so, Bloomberg (the man) is unlikely to be dismayed. His book provides engaging commercial arguments for a personality cult. "Just as my old partner Billy Salomon ran Salomon Brothers as *his* company, with *his* name and *his* reputation on the line, now it would be my name at risk," he says. "I would become the Colonel Sanders of financial information services... the one whose company and product would be on everyone's lips."

Well, not quite everyone's. Outside the financial markets, Bloomberg and his products are not well known. Inside them, however, he is everywhere. In 16 years, since he was fired from Salomon Brothers, he has built from scratch a global rival to the financial data leaders, Dow Jones and Reuters. His company is privately held and valued at more than $1.5bn.

The book – partly credited to Matt Winkler, the former Wall Street Journal reporter who runs the Bloomberg News service – is a slick description of how it was done. It starts with the Tarrytown meeting just outside New York in August 1981 at which Salomon partners agreed to sell out and Bloomberg was told he was not wanted. "So there I was, 39 years old and essentially hearing, 'Here's $10m; you're history'."

Though his career at Salomon was mostly as an equity trader, Michael Bloomberg had been a pioneer in applying computers to providing financial market data. In 1979, after losing one of Salomon's endemic power struggles, he was moved sideways to head the firm's computer operations. He proved as controversial in his new job as he had on the trading floor – insisting on a single firm-wide system, refusing to buy International Business Machines mainframes, and taking an iconoclastic attitude to big projects.

"You can do a six-month software project in 12 months. You can probably do a 12-month project in two years. You cannot do a two-year project, ever. At Salomon, we promised everything and set out to build less, but something we could install before new management took over with less enthusiasm for our project," he says.

Bloomberg's musings on how to buy and manage computer technology provide much down-to-earth wisdom. "Buyers who 'outsource' should find a way to try products as they'll actually use them before they pay the bill and even, if possible, before giving a firm order... If you remember one thing from this book, make it 'Buy what's deliverable, not what could be!'"

Bloomberg practised what he preached. After setting up his own data firm, his first customer was Merrill Lynch. *The investment bank's* in-house computer people wanted to supply the same system, saying they could start in six months. "That was my opening. 'I'll get it done in six months and if you don't like it, you don't have to pay for it!' I practically shouted. 'Since Hank can't even start for half a year, there'll be no time risk. And since you only pay if it works, no cost risk either.'"

The Bloomberg team worked 14-hour days to get the system ready. "Some newly introduced software problem kept the machine from starting up. Still, we took it down to Merrill while the others kept debugging the computer code. Everybody was astonished that the machine had actually appeared; nobody really expected an on-time delivery."

To Bloomberg's delight, the machine worked. "The software bug that had befuddled us all weekend had been fixed – *while we were in the taxi*. When I saw the machine light up that day in the Merrill Lynch office, I lost any residual doubt that Bloomberg could make it. We had picked just the right project. It was big enough to be useful, small enough to be possible. Start with a small piece; fulfil one goal at a time, on time."

That tale captures the book's essence: myth created on the hoof; poker-work mottoes; above all, a sense of what it is like to be an entrepreneur. The arguments, the ups and downs, the sense of personal ownership – those were, he says, the best days. "I used to write all the cheques myself. I signed every contract. I did the hiring and firing. I bought the coffee, sodas, cookies and chips we nibbled on. I emptied the wastebaskets and dusted the window sills."

Bloomberg is clearly proud of his company's size. "Nevertheless, when I find we 'just cleared it with legal' or had a meeting 'to keep others in the loop'... I want to scream." By this stage in the book, readers are likely to be so involved in Bloomberg's adventure, so swept along by his prickly, aggressive, imaginative character that they feel like screaming in sympathy.

Bloomberg by Bloomberg is available from FT Bookshop by ringing +44 181 324 5511 (p&p £1.50 in Europe)

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'). e.mail: letters.editor@ft.com Published letters are also available on the FT web site, http://www.FT.com Translation may be available for letters written in the main international languages.

CBI keeps all options open on European monetary union

From Sir Colin Marshall.

Sir, Your article "CBI set to back single European currency" (April 23) is misleading.

You state that the options put to Confederation of British Industry members in our consultation process all point to entry into a European single currency. This is not true. The consultation paper you refer to sets out the complex business arguments for and against Emu and offers three options. These include one which rules out Emu entry for the foreseeable future (at least 10 years).

The other two options do support the UK entry into Emu in principle but differ with regard to timing and preconditions. One suggests entry as early as possible (1999 or soon thereafter), the other a commitment in principle but with the precise timing less clear.

This paper will now be debated by the relevant CBI committees including all regional councils over the coming months. Indeed, all CBI members are being encouraged to give us their views. The timetable for this consultation was set several months ago, and has neither been delayed nor accelerated in the light of the timing of the election. Our intention is to reach a position on whether the UK should join Emu by early autumn.

I hope this clarifies the matter.

Colin Marshall,
president, CBI,
Centre Point,
103 New Oxford Street,
London WC1A 1DU, UK

Penalties of the UK's gradual isolation

From Mr D.A.A. Fagandini.

Sir, I read Ian Davidson's "Island of isolation" (April 16) while travelling and for once I find he is mistaken. There are no doubts, across the Channel, as to British European strategy. We are credited with a unique single mindedness: impeding the integration of continental nations.

Any disappointment arises because concerted efforts to shift Britain away from that strategy have been so unsuccessful.

There is no doubt either that they will overcome any obstacle we place in their path. Isolation will not come suddenly, even if we negotiate a way out. It will be a gradual process of disengagement that will leave us greatly impoverished.

Of course, the entire European venture may self-destruct as so many of us predict or pray for. We shall all then be much the poorer. But the venture may well succeed and we will be the only disadvantaged nation.

What we have is a strategy for failure. We lose both ways. Clever stuff, that. And they're going round the country writing it in their election pledges.

D.A.A. Fagandini,
6 Alleyn Park,
Dulwich,
London SE21 8AE, UK

Tax credit conundrum for actuaries

From Mr Stephen Lowe.

Sir, Whether reduction or removal of advance corporation tax credit on dividends leads to any gain to the Exchequer (Letters, April 4), removal of ACT could pose a conundrum for actuaries.

Hitherto, their dividend-based approach to valuing assets of pension funds has worked reasonably well. This may be because the level of dividends has generally been a good guide to the normalised earnings level of UK companies.

But if the abolition of ACT caused dividend growth and the level of dividends to part company with the level and trend of earnings, there would be a case for change.

Not only could ACT's abolition reduce the starting dividend yield, but the prospective growth rate of dividends might be assumed to be much lower. Companies might be under pressure to increase payouts to compensate investors for the loss of tax credits.

But the rationale for the policy would presumably include a desire to stimulate retentions and investment by companies. For abolition of ACT to have its desired effect companies would try to adjust their payout of earnings downwards over a multi-year period. This would cause long-term dividend growth expectations to be lowered, substantially reducing the expected return from equities using the established actuarial approach.

Perhaps the US approach to asset valuation, market-based rather than dividend-based, could find favour with an increasing number of actuaries and pension trustees. The annual minimum funding requirement solvency test introduced by the 1995 Pensions Act has already introduced the concept of market prices into the assessment of funding. A further shift this way could be very appealing to employers looking for reasons to minimise contribution rates.

Stephen Lowe,
principal, global policy group,
Gartmore Investment Management,
16-18 Monument Street,
London EC3R 8AJ, UK

Personal view of imagery

From Mr Richard Camber.

Sir, David Barrett ("Truth of the Matter", April 19/20) laments the tyranny of the past over the present, but chooses the wrong target.

Art history teaches us that for a short period of time and in a relatively confined geographical milieu, roughly Europe between the 15th and the early 20th centuries, there were people who styled themselves artists and produced what they called art.

This was a passing phenomenon, in no way to be confused with the fact that, over vast reaches of time and in many other cultures, visual imagery served radically different purposes, as, indeed, it does today.

Whether one chooses to call this art is irrelevant, except to those, like Mr Barrett, who persist in calling themselves artists.

Richard Camber,
28 Heath Drive,
Hampstead,
London NW3 7SB, UK

Workplace balance

From Mr Roger Lyons.

Sir, I welcome the CBI's survey on the cost of workplace sickness (Letters, April 22), but there is something I cannot quite work out.

John Cridland of the CBI is quoted as saying that employers should introduce "family-friendly policies such as flexible leave, childcare support and term-time working". Can this be the same CBI that is bitterly opposed to the EU Social Chapter which is considering the introduction of unpaid parental leave? Wouldn't this measure do a lot to help people at work balance work and home life?

Roger Lyons,
general secretary,
MSF,
33-37 Moreland Street,
London EC1V 8BB, UK

Cinema/Peter Aspden

Caricature at the expense of nuance

Just when you thought that the world had had enough of ironic quips and gentle morality tales; of tea in the afternoon, repressed erotic urges, the petty hypocrisies of bourgeois society ... yes, Jane Austen is back. In spirit, at least, as the mentor of both author and heroine of *Cold Comfort Farm*. Stella Gibbons published her parodic novel in 1932, taking a swipe at contemporary literary fashions with a sparkle that had reviewers comparing her to Evelyn Waugh.

Gibbons's protagonist is Flora Poste, whose ambition is "to write a novel as good as *Persuasion*", and thus removes herself from city life to stay with long-lost relatives in the damp heart of Sussex. The family of Cold Comfort Farm is not so much dysfunctional as deranged, however: Flora's cousin Judith has the cheerful demeanour of a Medea; her sons Seth and Reuben are priapic and paranoid respectively; father Amos preaches hell-fire with disturbing vividness, while tedious D.H. Lawrence devotee Mybug communes pompously with nature, while becoming extravagantly obsessed with Flora.

Once embroiled in their affairs, Flora decides, in true Austenian fashion, to take charge of their lives, citing the mantra of "higher common sense" to illuminate their gloomy lives. She enlists the aid of all the fripperies of modernism: a Viennese psychiatrist, flapper dresses, a Hollywood producer. But will she find true love herself?

COLD COMFORT FARM
John Schlesinger

EDDIE
Steve Rash

VERTIGO
Alfred Hitchcock

RETURN OF THE JEDI
Richard Marquand

THE SPIRAL STAIRCASE
Robert Siodmak

British audiences have already seen *Cold Comfort Farm* on their television screens, but this theatrical release is presumably prompted by the success the film has enjoyed in the US. One can see why: John Schlesinger and screenwriter Malcolm Bradbury cannot hope to convey all the subtleties of Gibbons's wicked satire, but make a likeable job of it all.

The problem in the transition to the big screen lies with the tone of the humour, which veers uneasily from the coarse to the epigrammatic, and an acting style, from a usual-suspects cast of British favourites (Ian McKellen, Stephen Fry, Joanna Lumley), which draws vivid caricatures, but at the expense of nuance. Kate Beckinsale's Flora meanwhile floats through the whole affair with a placid sagacity which makes Emma Thompson look like Gina Lollobrigida.

But then in a world in which Whoopi Goldberg gets to wear understated Armani suits as she coaches the New York Knicks to the play-offs, anything is possible. Of all the improbable confections *Eddie* asks us to swallow, perhaps the most unlikely one is that if you show enough attitude, and sassiness, and hand-on-hip belligerence (Goldberg's stock-in-trade), you will be smoothly escorted on to the up-escalator of life by a ruthless billionaire who is running out of things to own.

Eddie is the Knicks fanatic who is propelled to unlikely stardom as a gimmick, but soon rises to the demands of her fantasy job. She plays butt-kicker, mother-figure, groovy sister as the occasion demands; and her team begins to turn its disastrous season around.

Director Steve Rash is blessed here with a sport, basketball, which can be convincingly portrayed on screen; the verisimilitude of the on-court scenes and the vivacity of the acting, much of it from former or current professionals, make up for a formulaic ending. And there are some timely barbs against the effect of agents on professional sport, and the inelegant, and widespread, use of the third-person by athletes when talking about themselves. One is tempted to say that sport is not *that* important; but if they are making whole movies about it . . .?

It is a mixed week for those newly-lauded Hollywood artisans, the movie restorers. First, the acceptable face of their opaque art: Alfred Hitchcock's *Vertigo*, freshly renovated by Robert A. Harris and James C. Katz, is a masterpiece, one of a handful of movies that demand to be seen on the big screen. The restorers have done the director proud: Hitchcock's palette has never been so sumptuous, and here we see his vibrant colours at their most exotic. Check our first sighting of Madeleine (Kim Novak), seated at dinner in an extravagantly backless dress, swathed in luxurious turquoise. She remains with her back turned, while the camera prowls anxiously among the restaurant tables, as if mounted on the chocolate gateau of the cake trolley. It is this early in the film that Hitchcock establishes his heady mood of lingering sensuality, having first playfully distracted us with Scottie's (James Stewart) trouble with heights.

A wicked satire, likeably rendered: Rufus Sewell as the priapic Seth with Kate Beckinsale's Flora in 'Cold Comfort Farm'

Vertigo's plot is famously bizarre; but Hitchcock's exploration of just about every psychiatric complexity going ("acute melancholia combined with a guilt complex" pronounces Scottie's therapist, and he only knows half the story) is compelling, never more so than when he reveals the plot's ending two-thirds through the film.

Only then, free from distraction, can we concentrate on the dark eroticism of Scottie's mania, as he transforms the rough-talking Judy (also dressed in turquoise, but this time the bargain basement version) into his ethereal Madeleine. Novak's shimmering appearance when she has completed the final detail of her *coiffure* to become Madeleine (the effect is like a stripper finally dispensing with the G-string) is as disturbing as any of this director's more notoriously horrible moments. And Hitchcock's attention to detail was never more certain: the Saul Bass credits and Bernard Herrmann's swelling Wagnerian score have more craft and imagination in themselves than an entire season of so-called blockbusters.

While Hitchcock delved ever inwards into the psyche to explore the murky waters of the human condition, George Lucas and his gaggle of FX warriors needed to head for the limits of outer space. There is much talk of "the dark side of the Force" in Richard Marquand's *Return of the Jedi*, the last and worst of the *Star Wars* trilogy, but after James Stewart's brittle neuroticism, it takes more than a shiny black bakelite helmet to strike the fear of God.

It is hard to see the enduring value of this much-hyped restoration project. *Return of the Jedi* is leaden-paced, and after the impressively revolting Jabba the Hutt is dispensed with, there is little to capture the attention, unless you have a penchant for cutesy wide-eyed teddy bears. Even Harrison Ford's laconicism, one of the saving graces of the entire project, fails to convince.

Ironically, the couple of extra musical scenes newly restored to the film locate this ostensibly timeless tale right back into the years of its production: a bland jazz-funk number played by assorted weirdos in the court of Jabba, and a pan-piped finale featuring our heroes and their supporters, straight out of those anti-Pinochet Chilean Solidarity concerts, when, a long time ago in a galaxy far, far away, people cared about social injustice.

The Spiral Staircase, Robert Siodmak's 1945 thriller, also speaks volumes for its era, a time when you could spot the loose-woman-about-to-be-killed from her excessive lipstick. Much drama ensues on the eponymous staircase, on which the villain gives himself away because he "hates imperfection". Plenty of darkness here, too, but from a time when the forces of good rallied round with impressive resolve, and without teddy bears.

Opera

Strong 'Elisir'

At Covent Garden, what used to be John Copley's production of *L'elisir d'amore* now gets at least its sixth revival, this time by Stuart Mander. Donizetti's rustic "melodramma giocoso" – almost an operetta – still looks quaintly pretty in Beni Montresor's 1975 designs. The conductor Evelino Pidò treats the score lightly and tenderly; the Royal Opera Chorus is in excellent form as peasants, servants and soldiers.

All five of the principals are new. The lesser juvenile roles are taken with spirit: Deborah York wields her silvery soprano with great verve as Giannetta, the peasant-maid with an eye for the main chance, and Natale de Carolis lends lively character and a warm, cultivated baritone to the somewhat thankless role of Belcore, the smug romantic rival whom we ought to hiss. We don't, because de Carolis hits a nice balance between hissable rivalry and manly decency.

The itinerant charlatan Dulcamara, a snake-oil pedlar (love-elixirs available to order), is an archetype of Italian *commedia*. Bruno Pola's incarnates him as artfully as he sings him, ripely practised and professional. I was disappointed never to find his capers remotely funny.

An Italian audience would probably relish them more, and appreciate his individual vein far better: national types are often opaque to foreigners. But Mander should have given Pola a proper wedding-lunch to gluttonise: since when did any Italian banquet consist of one small ham, with mingy garnishings?

The star of the evening ought to have been delectable Angela Gheorghiu as Adina, the wealthy, teasing *inamorata* of our poor anti-hero Nemorino, himself innocent to the point of clinical dimness. Gheorghiu made her brilliant Vienna debut in Adina's role only five years ago, but many things have happened since then. Now, she sounds as if she were doing a bit of gracious slumming between Violettas and Toscas, or even Lady Macbeths. Especially in the last act, she encrusts Donizetti's sweetly uncomplicated lines with fraught drama and dark sophistications that outrun Donizetti's period by miles.

That is fascinating, even exciting to hear; but it disturbs the dewy consistency of this little opera to no sensible purpose. It sets Adina far apart from simple Nemorino just as they finally come together. In fact it is Nemorino, the young Catalan tenor José Bros, who proves to be the linchpin of the comedy: no romantic hero (quite right), but a distinctly backward *naïf* of transparent honesty and devotion, with an indeterminate beard and a flat face that transmits his every tremulous pang.

He sounded unpromising at the start, the voice seemingly filtered through waxed paper, but I came to like him more and more. For "vocal art", his "Una furtiva lagrima" – the setpiece everybody waits for – would earn at most an AB; and yet he sustained it in utterly faithful character, woebegone but ever-hopeful. By the end, I thought his Nemorino the equal of any I've seen-and-heard, as distinct from performances on record.

David Murray

Revival sponsored by The Robert Gavron Charitable Trust.

The Munich Biennale/John Warnaby

Fairy-tale British opera

The reputation of Munich's festival of new music theatre, the Biennale, has grown so much in its short life that from next year it will become an annual event. Meanwhile, this year's Biennale, the fifth, provided a platform for *The Juniper Tree*, a substantial new work by 33-year-old Roderick Watkins.

Watkins is little known in his native Britain, despite a large output over the past decade. *The Juniper Tree* is the second opera by a British composer of the younger generation to be based on the story by the Brothers Grimm, but in contrast to Andrew Toovey's apparently violent interpretation, Watkins – together with his librettist, Patricia Debney – opted for a poetic and symbolic approach.

The result is a 75-minute chamber opera for five singers and 13 instrumentalists. The production, featuring the London Sinfonietta under Markus Stenz, can be seen again at London's Almeida festival in June, and would be worth broadcasting, as the work is, in many respects, a psychological drama.

Chairing a panel discussion before the premiere (his last activity as the Biennale's director), Hans Werner Henze – one of Watkins's composition teachers – described *The Juniper Tree* as very English: a gradual unfolding of a macabre tale of family conflict. Although predominantly slow, the work demonstrates an impressive understanding of musical and dramatic pacing, and there is no shortage of variety within the overall tempo.

Watkins ensures that the text is always audible, and the importance of the contributions from flute, cor anglais, clarinet and bass clarinet is gradually revealed during the song of the bird at the culmination of the tale. Another significant factor is the use of electronics. Watkins studied at IRCAM in Paris, and has integrated electronic sounds into the texture with considerable subtlety. This does not involve much equipment, and will not hinder the opera's effectiveness as a touring production. Equally, despite its small scale, it reaches a powerful climax in the last of its six scenes.

Among the cast, Robert Poulton as the Father and Penelope Walmsley-Clark as the Stepmother deserve special mention – though David McVicar's production is very much an ensemble effort. *The Juniper Tree* may not reveal fresh vistas of new music, but perhaps its success stems from not having attempted anything too ambitious – another English trait?

Theatre

Timeless social order

I have long believed that *The Admirable Crichton* would be even funnier with the addition of a performer reciting the stage directions; J.M. Barrie was simply unable to confine his apophthegms to the lines of the play. Nevertheless, Michael Rudman opens this year's Chichester season with a more than respectable production of Barrie's second greatest hit.

True, the press night audience engaged in its not unfamiliar trait of applauding scene changes, although those executed here – revealing a remarkable desert island design by Johan Engels based on the paintings of Henri Rousseau – fully merit acknowledgment. (Curiously, no applause was forthcoming on the entrances of either Ian McShane or Michael Denison.) Rudman also turns to choreography, with impressive results, to convey the stilted atmosphere of Lord Loam's monthly teas for the servants which, far from breaking down social barriers, give rise to embarrassment all round.

The character of Crichton – the butler shipwrecked with the Lazenby family, who shatters his lordship's childishly egalitarian notions by demonstrating that some kind of social order inevitably asserts himself – is deceptively delicately balanced; actors in the role generally seem much more at ease either in deferential Mayfair mode than as an exotic chieftain, or vice versa. McShane's vice is palpably versa; although he pays lip service to a reluctance of his new status, his performance exudes almost as great an air of liberation as that of Victoria Scarborough's Lady Mary, celebrating her rebirth as the island huntress Polly. In the opening and closing acts, Crichton's professional unobtrusiveness is belied more by the actor's own presence than by any discreet Jeevesian control. Nevertheless, he gives a consistently enjoyable rendering.

Michael Denison, is, of course, completely at home as Lord Loam in Mayfair, and seems to relish the chance to escape his starched collars on the island as little more than an accordion-playing mascot; Barbara Jefford makes a perfect act for *grande dame*. It is Scarborough, however, who most completely and feelingly unites the two distinct personae which her character is called upon to display.

The play is an astute choice for Chichester, taking as it does the conventions of drawing-room comedy only to shatter and rebuild them subtlely out of kilter. If the subject seems dated in an allegedly classless age, it is not yet sterile either on its face value or as a widely political metaphor, and neither the piece nor Rudman's production is ever dull.

Ian Shuttleworth

Chichester Festival Theatre until June 8 (01243 781312).

INTERNATIONAL ARTS GUIDE

■ BARCELONA

EXHIBITION
Fundació Joan Miró Tel: 34-3-3291908
● Peter Greenaway: Flying over water. The Icarus Adventure: 30-part installation created by the British film director, examining the Icarus legend and the theme of human flight; to May 25

■ BERLIN

CONCERT
Philharmonie Berlin - Grosser Saal & Kammermusiksaal Tel: 49-30-2614383
● Rundfunk-Sinfonie-Orchester Berlin: with conductor Rafael Frühbeck de Burgos and tenor James Wagner in works by Brahms; Apr 25

OPERA
Deutsche Oper Berlin Tel: 49-30-3438401
● Der Rosenkavalier: by R. Strauss. Conducted by Jiri Kout; Apr 27
Staatsoper Unter den Linden Tel: 49-30-20354438
● Die Zauberflöte: by Mozart. Conducted by Sebastian Weigle; Apr 25

■ BRUSSELS

EXHIBITION
Palais des Beaux-Arts Tel: 32-2-5078200
● De Kunst van het Verzamelen: exhibition of 20th century works of art from the collections of five Dutch museums. Artists represented include Picasso, Mondrian, and Braque; to May 25

■ COLOGNE

CONCERT
Kölner Philharmonie Tel: 49-221-2040820
● Kölner Rundfunk-Sinfonie-Orchester: with conductor Heinz Holliger and violinist Thomas Zehetmair in works by Carter, Moser and Holliger; Apr 25

■ FRANKFURT

EXHIBITION
Schirn Kunsthalle Tel: 49-69-2998820
● Sammlung Aargauer Kunsthaus Aarau: display of 184 works by Swiss artists, from the Enlightenment to the present day. Artists represented include Böcklin, Füssli, Klee, and Vallotton; to Jun 1

■ LISBON

EXHIBITION
Museo Calouste Gulbenkian Tel: 351-1-7935131
● Alphonse Mucha and the Spirit of Art Nouveau: exhibition of 134 works by Mucha, loaned by the Mucha Foundation in Prague. Includes photographic works, jewellery, coloured glass and a selection of posters; to May 4

■ LONDON

AUCTION
Christie's South Kensington Tel: 44-171-5817611
● The Marconi Archive Centenary: sale of pieces from the archive of the Marconi company, pioneers of wireless communications. Highlights include early equipment and a number of transcripts of radio messages, including those made during the sinking of the Titanic; Apr 24, 25

CONCERT
Royal Festival Hall Tel: 44-171-9604242
● Philharmonia Orchestra: with conductor Kurt Sanderling and pianist Mitsuko Uchida in works by Beethoven and Bruckner; Apr 27

DANCE
Royal Opera House – Covent Garden Tel: 44-171-2129234
● Anastasia: choreographed by Kenneth MacMillan to music by Tchaikovsky and Matinu. Soloists include Sarah Wildor and Genesia Rosato; Apr 25

■ NEW YORK

CONCERT
Avery Fisher Hall Tel: 1-212-875-5030
● Lucy Ishkanian: the pianist performs works by Beethoven, Chopin and Mozart; Apr 27

EXHIBITION
The Metropolitan Museum of Art Tel: 1-212-879-5500
● The Florene M. Schoenborn Bequest: 12 Artists of the School of Paris: a display of 21 major 20th century works given to the Museum by Florene M. Schoenborn, including works by Brancusi, Braque, de Chirico, Dubuffet, Matisse, Miró, Picasso and Rouault; to May 4

■ PARIS

CONCERT
Théâtre des Champs-Elysées Tel: 33-1 49 52 50 50
● Akademie für alte Musik Berlin: with harpsichordist Raphael Alpermann, flautist Marion Verbruggen and trumpeter Friedemann Immer in works by Bach; Apr 26

EXHIBITION
Musée du Louvre Tel: 33-1-40205050
● Un défi au goût - Chefs d'oeuvre de la manufacture de Sèvres au XVIIIème siècle: exhibition featuring 18th-century works from the famous French porcelain factory in Sèvre, which was at the height of its success around 1750; to Jun 23

■ PHILADELPHIA

EXHIBITION
Philadelphia Museum of Art Tel: 1-215-763-8100
● Japanese Landscapes: display of paintings, ceramics and decorative arts with landscape motifs by Japanese artists. The exhibition includes a set of "Landscapes of the Four Seasons", which underwent conservation treatment at the Tokyo National Museum last year; to Jul 31

■ STOCKHOLM

EXHIBITION
Moderna Museet - Museum of Modern Art Tel: 46-8-6664250
● Picasso and the Mediterranean: exhibition examining the influence of Ancient Greece on Picasso's work, placing approximately 200 works dating from 1906-1960 alongside Cycladic, Mycenaean, Greek, Iberian, Etruscan and Greco-Roman works; to May 18

■ THESSALONIKI

EXHIBITION
Yeni Grami/Old Archeological Museum Tel: 30-31-854317
● Hans Arp and Sophie Täuber-Arp: large-scale retrospective of work by the husband-and-wife team who played a leading role in some of the most important European avant-garde movements of this century, including Surrealism, Dada and Expressionism; to May 4

■ VENICE

EXHIBITION
Collezione Peggy Guggenheim Tel: 39-41-5206288
● George Grosz: The Berlin Years: exhibition focusing on the years the German Expressionist painter and graphic artist George Grosz (1893-1959) spent in Berlin. Features some 20 oil paintings, 100 works on paper, notebooks, and other objects; to May 18

■ VIENNA

OPERA
Wiener Staatsoper Tel: 43-1-514442960
● Hérodiade: by Massenet. Conducted by Marcello Viotti. Soloists include Elaine Coelho, Agnes Baltsa and José Carreras; Apr 25

■ WASHINGTON

EXHIBITION
National Gallery of Art Tel: 1-202-7374215
● The Victorians: British Painting in the Reign of Queen Victoria (1837-1901): exhibition of 70 paintings highlighting the artistic achievement of British painters during the reign of Queen Victoria. Artists of the era bore witness to the energies and tensions of Victorian life, depicting the panorama of the social landscape. The exhibition includes works by Whistler, Sargent, Leighton, Turner, Madox Brown, Rossetti and Holman Hunt; to May 11

WORLD SERVICE
BBC for Europe can be received in western Europe on medium wave 648 kHZ (463m)

EUROPEAN CABLE AND SATELLITE BUSINESS TV
(Central European Time)

MONDAY TO FRIDAY

NBC/Super Channel:

07.00
FT Business Morning

10.00
European Money Wheel
Nonstop live coverage until 15.00 of European business and the financial markets

17.30
Financial Times Business Tonight

CNBC:

08.30
Squawk Box

10.00
European Money Wheel

18.00
Financial Times Business Tonight

FINANCIAL TIMES
Thursday April 24 1997

Chancellor faces battle with opposition SPD

Kohl's tax reforms in trouble as talks fail

By Ralph Atkins in Bonn

German Chancellor Helmut Kohl's attempts to push through sweeping tax reforms were left floundering yesterday when talks with the opposition Social Democratic party collapsed.

The breakdown dashed hopes of a rapid agreement on tax strategy which would boost investment in a still-sluggish economy.

It also highlighted Mr Kohl's reliance on support from the SPD, which dominates the Bundesrat, the German parliament's second chamber.

Mr Kohl's plans to overhaul Germany's inequitable tax system now face protracted parliamentary battles this summer and autumn which will almost certainly result in substantial modifications.

The German chambers of industry and commerce described the collapse of the talks as a "shock" for investors and "almost fatal" at this stage in the economic cycle, when the first signs of a pick-up in investment are emerging.

The chances of an early cross-party deal for associated plans to reform Germany's increasingly expensive pay-as-you-go pension system now look remote.

Bonn set out its tax proposals for 1999 in January, envisaging reductions worth a net DM30bn ($17.4bn) a year.

The SPD had accepted the case for some reductions – particularly in the starting rate of income tax – and even called for tax-cutting measures to be added to proposals already in the pipeline for 1998.

But insurmountable political differences quickly emerged over government proposals to cut the top rate of tax from 53 per cent to 39 per cent.

A rift emerged over the SPD's focus on short-term cuts in social security payments deducted from wage packets. The two sides were also split over Bonn's desire to secure sweeping net tax reductions in the longer term, to improve international competitiveness.

As the disputes flared yesterday, Mr Theo Waigel, finance minister, complained that the SPD was fixated on "redistributive thinking" and not with necessary structural reform.

The government's tax legislation goes to the Bundestag tomorrow and is expected to be agreed by the lower house of parliament on June 27.

It will then go to the Bundesrat - representing the Länder, or states - but the parliamentary mediation committee will almost certainly be called on to resolve the dispute.

Meanwhile, the SPD is preparing its own legislative proposals which would cut social security contributions and lead to modest net tax cuts of DM7bn-DM10bn.

The dispute could drag on into next year and the run-up to federal elections in autumn 1998.

Seoul to relieve 'bad banks' hit by $13.5bn of risky loans

By John Burton in Seoul

South Korea is to establish a "bad bank" system to prevent its commercial banks collapsing from a growing number of non-performing loans.

The finance ministry's policy, announced yesterday, was adopted over other proposals to save the troubled banking sector, including bank mergers or permitting industrial groups to own banks.

The ministry estimated that Korean banks have bad loans of $13.5bn, or 4.1 per cent of total lending, mainly to the over-extended industrial sector. Other estimates put the figure at twice that amount.

The government's Korea Asset Management Corporation (KAMC) will take over troubled assets from the banks and sell them in an effort to clean up their balance sheets.

A similar system has been used in the US, Japan and Sweden to help save banks that had become overexposed as a result of a collapse in the property market.

An economic slowdown this year has made it difficult for Korea's highly geared conglomerates to service their debts. The Hanbo and Sammi steel groups have collapsed and others are threatened.

The sharp rise in corporate bankruptcies and subsequent increase in non-performing loans have raised overseas borrowing rates for Korean banks and threatened to make some of them technically insolvent.

The KAMC will set up a fund of Won1,500bn ($1.68bn), financed by bank contributions, bond issues and overseas borrowing, to buy bad loans at a discount from the banks over the next five years.

It will collect commissions from the banks for disposing of property that serves as collateral for an estimated 80 per cent of the loans.

In addition, the agency is expected to help save troubled corporate borrowers by selling their property assets.

The KAMC will help conduct credit risk analysis for the banks, which largely lack this skill after years as passive agents for government-directed funding decisions to industry.

Although the new policy is expected to stabilise recent turmoil, it represents a retreat from government statements that it would allow uncompetitive companies to fail.

But finance officials said the priority was to strengthen the banking and financial sector as Korea prepares to open it to increased foreign competition from next year.

Fujimori celebrates release of embassy hostages

By Sally Bowen in Lima and William Dawkins in Tokyo

President Alberto Fujimori of Peru toured the wreckage of the Japanese ambassador's residence in Lima yesterday to celebrate the success of his troops in freeing 71 of 72 hostages held by left-wing guerrillas.

The bodies of 14 dead rebels remained inside the building where they died in a surprise assault as they played soccer. The bloody end of the 18-week siege brought a widespread sense of relief but it was mingled with grief and the first sign of recriminations.

At an emotional press conference, the three members of the guarantor commission which had striven for weeks to achieve a peaceful solution were visibly distressed.

Archbishop Juan Luis Cipriani, the Vatican's representative, wept after reading a brief formal communique. He begged God's mercy on the souls of those who had perished and pardon for Peru.

President Gonzalo Sanchez de Lozada of Bolivia, whose ambassador to Peru was the only remaining hostage who was neither Peruvian nor Japanese, reflected sombrely that the assault has been "a highly risky operation which fortunately had a happy outcome".

In Geneva, an International Red Cross spokesman expressed relief at the release of the hostages but "deplored" the loss of life.

Most Peruvians viewed the violent outcome as inevitable. Mr Jorge Santistevan, Peru's "defender of the people" – a sort of ombudsman – said the hardening posture assumed by the Tupac Amaru (MRTA) guerrillas in restricting medical visits "had changed the panorama and made the use of force justified". While lamenting the loss of life, he considered the result "positive".

The Peruvian government obviously agrees. Armed forces chief General Hermoza Rios and intelligence chief Mr Vladimiro Montesinos – the latter almost never seen in public – were on the scene to inspect the residence and congratulate the special forces commandos at breakfast-time yesterday. For the moment, public criticism of the security forces and the intelligence services is silenced.

Business leaders in Japan also joined the applause, in a break with their normal stance of seeking a peaceful solution to such crises at almost any cost. The raid was unavoidable, said Mr Kosaku Inaba, chairman of the Japan chamber of commerce and industry.

Uphill task for hero, Page 10
Editorial comment, Page 15

Italy dismay

Continued from Page 1

after the first leaked report that Italy would not meet the deficit criterion. He had assured Mr Prodi the forecasts were only a technical exercise.

The Commission inserted a footnote at the request of Mr Mario Monti, Italian commissioner for the single market. It said Italy could still reach the 3 per cent target in 1997 "if the budget measures already taken have full effectiveness . . . ".

Saks earnings warning

Continued from Page 1

prices at or near 52-week lows yesterday.

Saks also announced it was planning a $290m cash-and-stock bid for Barney's, the luxury New York-based retailer that has been in chapter 11 bankruptcy protection since last year.

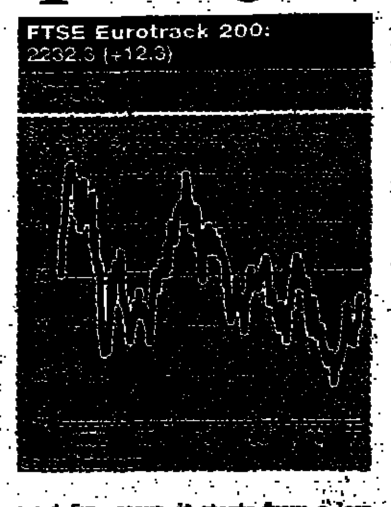
The bid has been approved by Isetan, the Japanese department store group which formed a partnership with Barney's and is one of the company's biggest creditors. But it faces opposition from the unsecured creditors, who would recover only 20 cents of every dollar they are owed.

Saks' bid is $50m higher than an offer made by Dickson Concepts, the Hong Kong based retailer that controls Harvey Nichols, the fashionable London department store.

Neiman Marcus, another US luxury retailer, is also believed to be interested.

THE LEX COLUMN

Philips lights up



First there were profit warnings, but Mr Cor Boonstra, Philips's new president, is now bringing in profits. Consumer electronics, the group's principal problem area, showed a Fl258m ($133.6m) turnround in the first quarter of 1997. True, it is no longer consolidating profits from loss-making Grundig and it has closed a US domestic appliance business. Together these account for over Fl100m of the difference. Nonetheless, strict working capital control and a harder line on product development is feeding into profits. No wonder investors were pleased with the results.

Of course, Philips has been here before. It returned from the brink in the early 1990s, only to continue stumbling behind lower-cost, more nimble competitors. Sales growth remains low, and pricing pressure is intense, particularly in Europe – component division prices are almost 30 per cent lower than last year. Moreover, with a stronger dollar – it has significant dollar revenues and European costs – and vast store of restructuring provisions, profitability could only improve.

But Mr Boonstra is undoubtedly shaking things up. And with shares trading at 10 times forecast 1997 earnings the shares should go higher if he continues grinding out costs and stripping out non-core businesses. After all, once consumer electronics is on a sounder footing, he has promised to look at a group structure that has put Philips shares at a substantial discount to break-up value.

Repsol

It is just as well that Spaniards are falling over themselves to participate in the retail side of the latest Repsol offering, because international investors are unlikely to be so ravenous. The shares do not even look terribly cheap any more: Eni and Total both trade on lower prospective multiples of earnings and cashflow. Ah yes, say enthusiasts, but Repsol is hoping for dramatic improvements in both over the next few years. Yet such talk needs to be interpreted with care.

For one thing, Repsol's businesses remain unattractively weighted towards the downstream. Its dominant positions in Spanish petrol marketing and gas supply are almost regulated utilities, deserving cautious ratings despite the strength of underlying demand. And although the upstream business should grow strongly over the next few years, it starts from a low base – currently, just 16 per cent of operating income.

For another, Repsol's aggressive ambitions are in themselves unnerving. Presumably they will require a continuation of the company's recent buying spree. And in the oil industry's current mood, such acquisitions carry hefty price tags. Repsol's recent deals in Latin America are a case in point: while the strategic logic has been defensible, the prices have been full. Scrambling to buy growth abroad may be an understandable response to hemmed-in positions at home, but this is a process in which shareholders' interests have too often come unstuck.

Fund management

You are a pension fund trustee; what should you do with a persistently underperforming fund manager? Maybe, if data from WM are to be believed, you should keep the fund manager on. Counter-intuitive perhaps but true: where apparently lousy fund managers have been dumped in favour of rivals with better records, it has more often than not been a mistake. Even worse, changing managers typically has a material cost.

Great news for second-rate fund managers? Not really. The lesson of the WM data is not so much that one fund manager is as good as any other – more that an ability persistently to outperform is extremely difficult to spot. WM's findings do not show that exceptional investment skill does not exist – more likely, the genuinely outstanding managers are swamped in the averages – but they do suggest that strong past performance is not a reliable guide.

Some trustees and their advisers will not care, bravely trusting in their ability to pick quality nevertheless. But what of the fed-up trustee who is persuaded that trying to select a new fund manager is a mug's game? The rational answer, surely, is not to stick stubbornly with an underperformer in the hope of improvement, but to shift to an indexed fund manager instead. To be fair, British active managers have gained ground on their indexed rivals of late. But there remains little persuasive evidence that they can consistently beat the index as a group.

Derivatives

Growth in the use of derivatives has far outstripped the ability of regulators to police them. And when they go wrong, the results range from the painful, as at NatWest recently, to downright disastrous, as at Barings and Orange County. Yesterday's proposals from the UK's Accounting Standards Board are a belated attempt to catch up.

In the interests of speed, the ASB is concentrating on proper disclosure. Listed companies will have to start detailing in their accounts the number and types of instruments, like options and swaps, they use. They will also be required to give a profile of their loans, showing the average interest rate paid and the currency mix. Second, managements will have to describe their use of derivatives in general terms. While such positions can change rapidly, this should at least provide a broad guide to the kinds of risks investors are letting themselves in for.

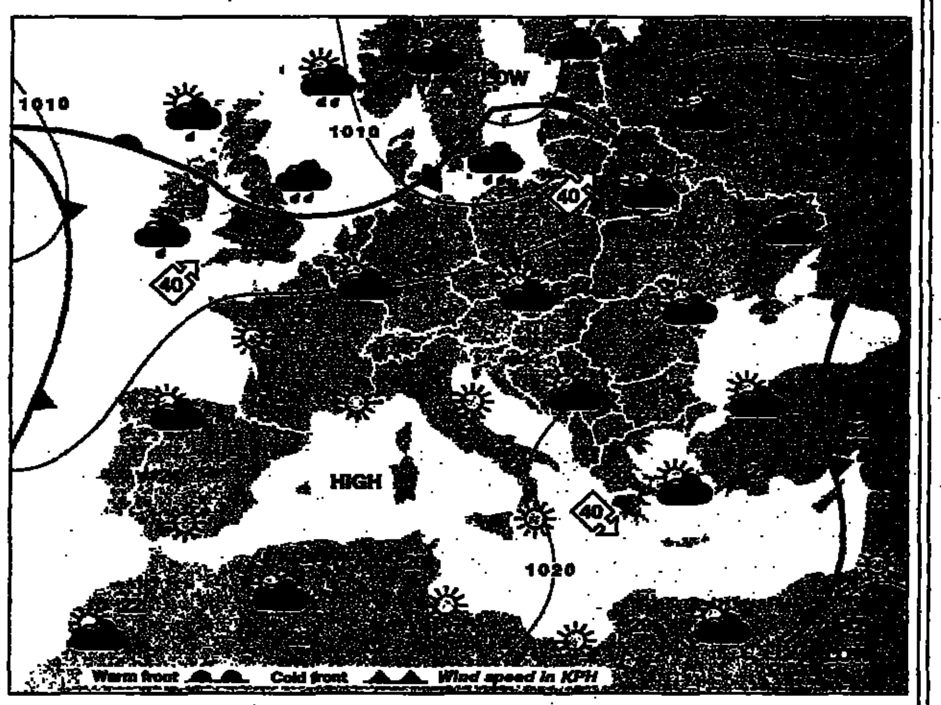
On both these counts, the UK is behind the US, Canada and the International Accounting Standards Committee, all of which have disclosure standards in place. What nobody has yet tackled successfully is the trickier issue of how to measure the value of derivatives. The most helpful approach would be to mark them to market. But to remain consistent, this would have to be extended to conventional loans, making a mess of balance sheets and raising hackles in industry and the accounting profession. A standard on that subject is unlikely to emerge this century.

Additional Lex comment on Bank of Scotland, Page 22

FT WEATHER GUIDE

Europe today

Southern Scandinavia will have heavy rain. The associated front will bring cloud and rain to most of Ireland, central parts of the British Isles, northern areas of the Benelux and Germany.
The Iberian peninsula will be mainly sunny and warm, although the Portuguese coast will have rain in the afternoon.
Most of Poland and Belarus will be dry with bright sunny spells and slightly lower temperatures.
The southern Balkans will be cloudy with patchy rain.
A front will bring heavy thunder showers to Turkey.
The Middle East will be hot.



Five-day forecast

High pressure will bring fine conditions to the central Mediterranean and the Balkans during the weekend.
North-western Europe will gradually turn milder, but may have some showers.

TODAY'S TEMPERATURES

Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

	Maximum	Beijing	fair 23	Caracas	fair 30	Faro	fair 20	Madrid	fair 23	Rangoon	sun 37
	Celsius	Belfast	rain 13	Cardiff	cloudy 14	Frankfurt	sun 17	Majorca	fair 19	Reykjavik	fair 5
Abu Dhabi	fair 34	Belgrade	fair 10	Casablanca	cloudy 20	Geneva	sun 19	Malta	fair 17	Rio	fair 0
Accra	shower 33	Berlin	cloudy 15	Chicago	fair 12	Gibraltar	fair 23	Manchester	cloudy 13	Rome	fair 16
Algiers	cloudy 18	Bermuda	fair 25	Cologne	fair 16	Glasgow	rain 12	Manila	fair 36	S. Frsco	fair 18
Amsterdam	cloudy 12	Bogota	shower 20	Dakar	fair 25	Hamburg	rain 10	Melbourne	fair 19	Seoul	fair 20
Athens	fair 20	Bombay	fair 33	Dallas	shower 19	Helsinki	shower 8	Mexico City	fair 24	Singapore	fair 33
Atlanta	sun 24	Brussels	fair 14	Delhi	sun 37	Hong Kong	fair 27	Miami	sun 28	Stockholm	rain 6
B. Aires	rain 21	Budapest	sun 13	Dubai	fair 34	Honolulu	fair 30	Milan	fair 16	Strasbourg	fair 18
B.ham	cloudy 15	C.hagen	shower 10	Dublin	rain 14	Istanbul	fair 15	Montreal	fair 13	Sydney	fair 27
Bangkok	fair 38	Cairo	sun 36	Dubrovnik	fair 13	Jakarta	fair 32	Moscow	fair 8	Tangier	fair 20
Barcelona	fair 17	Cape Town	shower 18	Edinburgh	rain 11	Jersey	fair 12	Munich	fair 16	Tel Aviv	fair 39
						Karachi	fair 38	Nairobi	cloudy 28	Tokyo	fair 18
						Kuwait	sun 35	Naples	fair 15	Toronto	fair 12
						L. Angeles	sun 21	Nassau	fair 30	Vancouver	cloudy 13
						Las Palmas	fair 24	New York	fair 11	Venice	shower 15
						Lima	fair 27	Nice	fair 19	Vienna	sun 18
						Lisbon	sun 23	Nicosia	fair 28	Warsaw	fair 12
						London	fair 17	Oslo	fair 8	Washington	cloudy 16
						Luxbourg	fair 14	Paris	fair 18	Wellington	shower 13
						Lyon	sun 20	Perth	fair 27	Winnipeg	fair 14
						Madeira	fair 21	Prague	fair 16	Zurich	sun 15

COMMENT & ANALYSIS

FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL
Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700

Thursday April 24 1997

Glimpses of EU recovery

Gloom about the European economy is quite understandable. But it can be overdone. Much has gone wrong and serious mistakes have been made. But there has also been progress, notably in reducing inflation and curbing structural fiscal deficits. With recovery apparently under way, worries earlier this year about the prospects for economic and monetary union now appear seriously exaggerated.

In its role as principal cheerleader for Emu, the European Commission is expected to be optimistic. But it also has some reason to be: EU-wide consumer price inflation is forecast to be only 2.2 per cent this year; the dollar has recovered strongly; monetary policy is expansionary; and the pace of growth outside the EU is vigorous.

The Commission's forecast of a recovery in EU-wide growth from 1.6 per cent last year, to 2.4 per cent this year and 2.8 per cent in 1998 seems plausible. In its latest World Economic Outlook, the International Monetary Fund does not disagree.

More important for the EU's immediate future are prospects for fiscal deficits. The Commission suggests that thirteen member states – all, except Greece and Italy – will have a general government borrowing requirement of 3 per cent of GDP or less this year. Even Italy is forecast to be only just outside the target, at 3.2 per cent.

The Commission is duty bound to be optimistic. The IMF is just a little more sceptical, but the difference is very small. It forecasts that nine EU member states, all small, will have fiscal deficits of less than 3 per cent of GDP this year. But the others are mostly expected to be close to the target: the UK on 3.1 per cent of GDP, Spain on 3.2 per cent and Germany, France and Italy all on 3.3 per cent. These figures are so close to the Commission's that one wonders how much influence has been exerted on the IMF.

This outcome is expected when many European economies are operating at well below full capacity. Because of this the structural fiscal deficit of the EU, forecast by the IMF to be less than 2 per cent of GDP this year, is markedly less than the actual deficit. Similarly, the structural fiscal deficits of Germany and France are both forecast at between 1 and 2 per cent of GDP. Even Italy's is expected to be below 3 per cent of GDP.

If recovery could be sustained for just a few years at above the EU's long-run trend rate, member states ought not to find it too difficult to achieve the target fiscal deficit of 1 per cent, laid down in the growth and stability pact. Such growth would also eliminate the cyclical element in the EU's aggregate unemployment rate, the latter forecast by the Commission at 10.6 per cent of the EU labour force this year.

Governments must not relax. But the worst of the EU's fiscal and monetary austerity should now be behind virtually all of them. Henceforth, cuts in spending should permit corresponding reductions in taxation; and efforts to promote greater flexibility in the labour market would be rewarded by rising employment within a growing economy.

As the IMF says, a foundation has been laid for improved performance. Now at last the EU can reap some fruits.

Peru's relief

President Alberto Fujimori of Peru has been bold and lucky. His decision to storm the Japanese ambassador's residence in Lima risked the lives of the 72 hostages inside – and his political future. But after four months in which negotiations between the hostage-takers and the government went nowhere, Mr Fujimori took a brave gamble and it paid off.

The death of one hostage, a supreme court judge, was unfortunate. But given the number of hostages and the confined space in which they were held, such an outcome must be viewed as an unqualified military success.

Mr Fujimori was right to reject the main demands of the left-wing Tupac Amaru guerrillas, who were seeking the release of colleagues held in prison. He has reinforced the message that terrorism cannot be allowed to pay. That is important in Peru, which was almost destroyed by it, as well as in the rest of the world.

But while Mr Fujimori deserves praise, he should not take this week's plaudits as a blank cheque. In particular, there is a danger that he may use his success to bend the rules in order to stand for a third term of office in the next presidential elections in 2000.

Since he took power in 1990, the economic changes he has instituted have sharply reduced inflation and restarted growth: the guerrilla groups that threatened the state are in retreat.

But growth has not been sufficient to have much impact on poverty and millions of people still subsist in the twilight regions of the informal economy. Citizens have little effective protection under the law from arbitrary actions by government or other powerful actors. Particularly set against Mr Fujimori's authoritarianism, the country's judicial system and its other state institutions are weak and inefficient.

Peru's government, including its armed forces, needs modernisation, transparency and democratic accountability. For all his excellent attributes, Mr Fujimori does not seem interested in bringing this about. He should concentrate over the next three years on building these institutions – not on a project to secure his further re-election.

The resolution of the hostage crisis has emphasised the strength of Mr Fujimori. But it has also highlighted the weakness of his country: Peru is still too much of a one-man show for comfort.

Out of Nomura

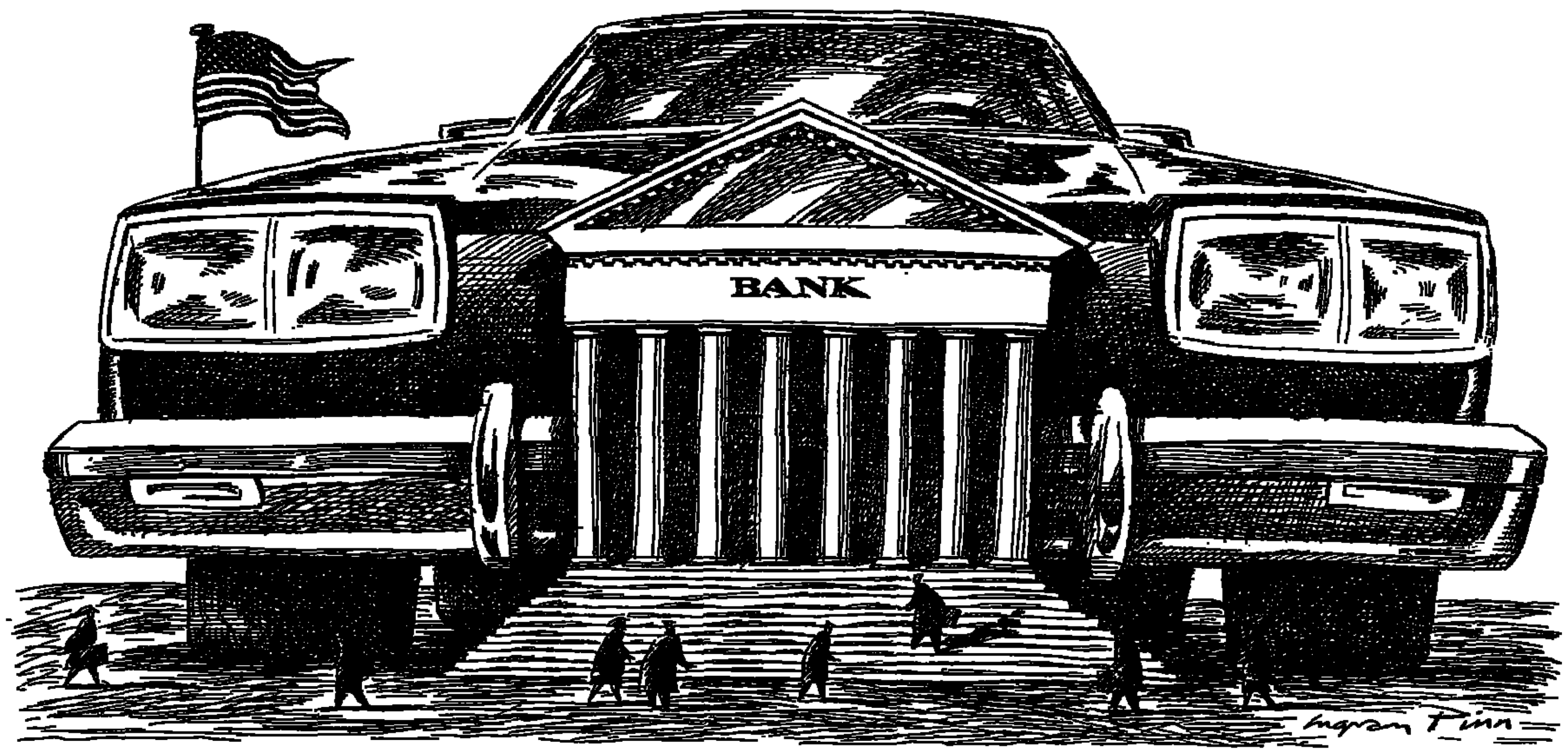
Part of the thinking behind Japan's impending Big Bang rests on the justified assumption that Tokyo will be unable to compete with New York and London in global finance without more efficient domestic financial institutions. But can the government's radical plan for deregulation work if the biggest financial institutions remain mired in corruption?

The clearout in the boardroom of Nomura Securities, after the admission of improper dealings with corporate extortionists called *sokaiya*, is a reminder of how little some aspects of Japanese business practice have changed since the bursting of the stockmarket bubble in 1990. It has also emerged that the other three of Japan's big four brokers have had similar dealings with the same *sokaiya*-linked company. So the question is whether new brooms in the boardroom will make any difference.

Mr Junichi Ujiie, the new 51-year-old president and chief executive officer at Nomura, is by Japanese standards a young agent of change. He also comes from an international background, which spares him from some of the taint of domestic shady dealing. An optimist might say that this exemplifies a shift in the balance of power at the company to mirror the one at the Ministry of Finance, where the younger and bolder internationalists have usurped the places of the old guard.

Yet the precedents scarcely inspire confidence. The resignations of the president and chairman of Nomura in 1991 after similar revelations of dealings with gangsters did not prevent the two men from exercising continuing influence at the company. They were back on the board within four years. Moreover, statements from Nomura emphasise that the latest resignations do not imply wrongdoing – hardly the way to cheer the more respectable clients.

The law has clearly failed here: payments to *sokaiya* have been illegal since 1982. Nor does it automatically follow that deregulation will help improve matters. After London's Big Bang in 1986, increased competition led to lower ethical standards. That said, the Ministry of Finance's new-found enthusiasm for foreign participation in Japan's financial markets will provide a wider choice to investors and corporate issuers. If backed by tougher law enforcement, Big Bang may yet make for a healthier and more transparent market.



The omens look promising for legislation to deregulate US banks and allow them to be acquired by other businesses, says **Gerard Baker**

Banking on diversity

It has become a familiar rite of spring. Every year at about this time, the US Congress announces it will legislate to reform the country's banking system to bipartisan fanfare and talk of historic change.

The chairmen of the House and Senate banking committees intone in unison the sacred formula: "It is time to abolish Glass-Steagall." The 60-year-old legislation that prohibits banks from owning stockbrokers and insurance companies once again receives its obsequies.

The ritual is already well under way this year – but with two important differences. One is that the process might succeed. The other is that it might go much further than previous attempts – allowing manufacturers and retailers to own a bank, or at least a substantial part of one.

By the end of April, Mr Robert Rubin, the US treasury secretary, is expected to support limited reform of Glass-Steagall to allow banks to expand into other financial services. But there have been hints that the administration may be prepared to go further and endorse a more radical plan to break down the walls between commerce and banking.

"I think we have a better than 50-50 chance of passing substantial bank modernisation legislation this year," says Mr James Leach, chairman of the House banking committee and the foremost advocate of change. "The main question is what type of change will it be?"

The Glass-Steagall law, enacted in 1933 in the Great Depression, was intended to protect banks – and their depositors – from the risks of securities investment. Its most famous clause, section 20, prohibits banks from owning brokers and vice versa.

But two important decisions by regulators last year have begun to nibble away at the barriers around banking – even without action by Congress:

● In November, the Office of the Comptroller of the Currency, (OCC) permitted the banks it regulates – national banks which operate under a somewhat different legal framework from the rest of the country's lenders – to open broking or insurance subsidiaries on a case-by-case basis. Though no banks have yet taken advantage of it, some are believed to be preparing applications for licences to open a broking subsidiary.

● In December, the Federal Reserve, the main bank regulator, used its powers under Glass-Steagall to raise the ceiling on the proportion of total revenue a bank can earn from broking from 10 per cent to 25 per cent. This allowed Bankers Trust, the large diversified New York bank, to announce a merger with Alex. Brown, a broker, this month.

The two regulators are now at loggerheads on how further reform should proceed. The Fed wants any new bank subsidiaries in non-banking activities such as broking or insurance to be under its overall supervision. The OCC would prefer non-banking subsidiaries to be supervised by the relevant regulators for each sector – broking by the Securities and Exchange Commission, for example.

But both are committed to rapid reform – as is the insurance industry. Glass-Steagall reform in the last Congress was eventually scuppered by insurers concerned they would be swallowed up by banks.

In recent months, these concerns have been eased by negotiations with banking organisations which have persuaded many insurance companies and agents they can go along with the reforms. There would be limits on banks' expansion into the insurance market that would enable the insurers to retain a strong grip on their sector.

"The old war between the insurance and banking industries is over," said Mr Ronald Smith of the Independent Insurance Agents a few months ago.

With this increasingly favourable background, two bills are now before the House and the Senate that would go much further on deregulation than previously advocated – opening up ownership of banks to non-financial companies.

Senator Alfonse D'Amato, the chairman of the Senate banking committee, wants to implement a change that would permit any company to own 100 per cent of the shares of a bank. This would open the way for the absorption of banks into conglomerates – for Microsoft to own Chase Manhattan, for example, or Ford to acquire Morgan Stanley.

Such open access to banks worries less iconoclastic politicians who, nevertheless still favour some reform. A less radical measure, proposed by Representative Marge Roukema, a member of the House banking committee, would allow mergers only if no more than 25 per cent of the new company's business was in banking.

Proponents of reform say technological change and business developments mean the divisions between banking and non-banking activities are less clear-cut than when Glass-Steagall was passed.

Large manufacturers and retailers already have sophisticated operations providing financial services to employees. Many now offer credit cards, loans and other services to their customers.

In a world where General Electric has a multi-purpose financial subsidiary and the carmakers issue their own credit cards, why not rationalise the process and give every company that could afford it the right to buy a bank?

A prominent advocate of reform is Mr Eugene Ludwig, the Comptroller of the Currency, who says the rules leave banks at a competitive disadvantage.

"Banks are already facing competition not only from non-bank companies such as GE Capital and General Motors Acceptance Corp, but also from companies that traditionally have not offered financial services such as telecommunications and computer companies," he told the House banking committee last month. It made sense, he argued, to rationalise the market by breaking down the barriers between commerce and banking.

Supporters of the change also claim the US would benefit from a dose of European or Asian-style economic management. Better co-ordination between finance and industry would lead to longer-term relationships between companies and their suppliers of funds, they argue.

However, the prospect of giving commercial companies even limited access to banks is fiercely opposed by Mr Leach and some other regulators. Mr Alan Greenspan, the Fed chairman, has urged caution, for example.

They believe it would give far too much power to bank-owning companies which would be able to pressure their bank for favourable treatment, such as lower interest rates. This would not only disadvantage companies that did not have such access to funds, but might also encourage imprudent lending by other banks competing for a share of the business.

Above all, they argue, it would pose an unacceptable risk for the economy as a whole by exposing the non-financial sector to the sort of systemic risks that haunt the financial sector. As Mr Paul Volcker, the former Fed chairman, put it last month in giving evidence to Mr Leach's committee: "I do not want the health, safety and soundness of the banking system to depend on the health, safety and soundness of Chrysler."

Put another way, such a change would, as Mr Leach says, "dramatically expand the spread of the safety *net* offered by the regulators in protecting depositors".

The most intriguing aspect of the debate is the attitude of the banks themselves. While politicians and regulators have made their views widely known over the last month, most banks have said little.

Mr Leach believes this is because many banks are lobbying quietly in favour, not wishing to make public their support in case it scuppers reform. But several bankers have expressed concern about the adverse consequences of any change to Glass-Steagall.

They fear that in return for ending the barriers between banking and broking, they would be subject to much closer regulation. They would, for example, be required to strengthen the firewalls financial services groups are required to maintain to protect customers' deposits from the losses incurred in more risky businesses.

One lawyer advising a large bank says that moving away from the relative flexibility of the current system could make life more difficult for banks. "Many banks would simply prefer to take their chances with the current system, under which they are already able to do much of what they want to do," he says.

Some banks believe that further easing of the rules by the regulators would be preferable to a change in the law and would be less likely to lead to onerous new regulation. Such considerations may prompt them to press hard for the Treasury to reject all the proposals.

Mr Rubin and his Treasury team have spent three months weighing such arguments. The official in charge of policy, Mr John Hawke, treasury under-secretary, appeared to support reform when first mooted but recently the message from the Treasury has become less clear.

The administration's view will be critical. If Mr Rubin supports reform, his backing could persuade many doubting members of Congress to vote for it.

It would be an irony indeed if after years of unsuccessful lobbying to modernise the financial system, banks were now backing away from the idea, just as politicians seem to have wound themselves up to do something radical.

· OBSERVER ·

Holding the line on Emu

■ Yves-Thibault de Silguy, the French Eurocrat who has to sell the planned single currency to sceptical Europeans, had a hard time yesterday explaining his spring economic forecasts. Commission economists had predicted that France and Germany would make a pinpoint landing on the Maastricht runway, but Italy, in spite of its strenuous efforts, would fall short, accompanied only by Greece. The Rome government was indignant: conspiracy theorists sniffed a political fix.

But De Silguy had a secret weapon. Giovanni Ravasio, the Italian head of the Brussels economics directorate DG 2, was wheeled in to explain to the 20 Commissioners – including sceptical fellow-Italian Emma Bonino – how the forecasts had been worked out.

Ravasio, whose lugubrious air conceals an infectious sense of humour, has largely escaped the public eye in spite of being at the centre of many storms. A *protégé* of former EU commission president Jacques Delors, he was involved in the crisis management – or lack of it – during the Exchange Rate Mechanism debacle in 1992 and 1993.

Yesterday, he did such a good job convincing the commissioners that de Silguy arranged a repeat performance in front of the Brussels press corps, where he serenely fielded a series of inflammatory questions about Italy.

Optical nerve

■ Shoe-collector Imelda Marcos, the former first lady of the Philippines, has itchy feet again. She wants to have an eye disorder treated in the US but is under a court order to stay in the Philippines until corruption charges relating to the time when her late husband Ferdinand was president are cleared up.

In a 32-page plea to the supreme court, she claims the anti-graft court which made the order ignored a recommendation by a panel of doctors that she be allowed to go abroad. Denying the request violates her constitutional right to life, liberty, due process, equal protection of the law, and much else besides. No doubt human rights organisations, kept so busy while her husband was president, are waiting to pounce.

Wisdom deferred

■ There's one bonus for the French from the snap general election. Politicians who planned to publish books over the next few weeks have put them on hold. One factor is that broadcasting rules to ensure fair shares of airtime for political parties might mean fewer plugging opportunities. Another might be the suspicion that people will see and hear quite enough about politics during the campaign without reading books about it as well.

Publishers have also decided that the time is not ripe for political commentator Albert Du Roy's latest oeuvre: *The Carnival of Hypocrites.*

Advertising bias

■ The leaning Tower of Pisa is no laughing matter as Angelo Marchio, a native of that city and chairman of Italy's second largest insurance company RAS, is discovering. The new RAS advertising campaign shows a small red car backing into and knocking down Italy's most famous not-quite-vertical monument. "RAS will sort it out," the driver intones. "With RAS big disasters become tiny upsets."

Pisa's mayor Piero Floriani says the ad is a big upset and he's considering legal action against the company. "The Tower of Pisa is in no need of irony but of help," he explains. The tower has been closed to tourists for some time and work to prop it up has been suspended for the last two years because of administrative complications.

Marchio is unperturbed by the row, which he sees as good publicity for his campaign. Will he follow up his sponsorship of the restoration of the equestrian statue of Marcus Aurelius in Rome with a contribution towards work on his home town's off-the-plumb heritage? "I don't think so," he says.

Brief encounters

■ Leaders can't talk about the big picture all the time: sometimes life's little worries have to be addressed. Much to his irritation, Malaysian PM Mahathir Mohamad has felt it necessary to direct a few choice words to people who "hang underwear like flags" from high-rise apartments. "We know we all use these but you need not display them outside."

Calling for high-dwellers to use tumble dryers, he complained: "In a developed country there is no need for the prime minister to go around talking about such matters. But the prime minister here has to give such advice." He went on to tick off those who press the "up" and "down" buttons simultaneously when calling a lift. This "causes the lift to be confused", leading to breakdowns. Whatever next?

The Financial Times

100 years ago

Budget Deadlock In Denmark
Copenhagen, 23rd April.
There is now every prospect of a settlement of the conflict between the Government and the Folkething regarding the amount of the military credits to be provided for in the Budget of 1897-98, which has threatened to lead to a Ministerial crisis and to block all Parliamentary business. The members of the Left at a party meeting this afternoon decided to support the proposals for a compromise, which first originated with M. Aaberg of the Moderate Right, a member of the Mixed Financial Committee of the Riksdag. By the new arrangement the Opposition agree to vote one-third of the special military credits in dispute.

50 years ago

Buying U.S. Aircraft
British aircraft manufacturers are gravely concerned at what they consider is a growing inclination amongst certain airline and ministry executives towards the further purchase of foreign (American) aircraft for our State-operated airlines. The argument put forward by the "more American planes" advocates is that Constellations are successful machines, and a ground organisation for them has been laid down.

DERIVATIVES • by George Graham

Complex instruments help boost yields

The securities market has been characterised by new issuers and new currencies

In their search for higher yields, investors have shown interest in complex financial instruments and peripheral securities since the beginning of 1995.

Total net issues of international securities surged from $313bn in 1995 to $512.4bn last year, according to the Bank for International Settlements in Basle. But within that total, the BIS said, the market was characterised by new issuers and new currencies, including the first issues in Argentine pesos, Croatian kunas and Icelandic kronur.

Even more marked, however, was the use of elaborately structured deals.

"Indeed, the bulk of international securities launched in the fourth quarter of 1996 involved either some form of asset repackaging or the use of derivative features," the BIS says.

In exchange for attractive margins over benchmark rates, investors were willing to accept optional or equity-like features such as calls or step-ups which increased their overall risk.

One preference share issue in December combined call, step-up, perpetual and non-cumulative clauses.

For institutional investors, structured and derivative instruments have traditionally been used with caution. While derivatives may be used to hedge foreign exchange exposure on overseas bond or equity portfolios, many pension fund trustees place limits on the use of "complex instruments" such as futures and options.

In the UK, a 1996 survey by Greenwich Associates, the consultancy, showed that 8 per cent of pension funds were precluded by their trust deeds from the use of derivatives.

Bad experiences in the US with complex structures, which were inappropriately marketed, showed the danger that a derivative which appeared to be a cautious hedging instrument could introduce an unacceptable degree of leverage.

Those memories have faded, but investors have been reminded of the leeway for mispricing instruments such as caps and floors by recent problems at NatWest Markets, where errors in the options trading book left a £50m hole.

For the BIS in Basle, the appetite for higher yields raises important issues.

"With recent international debt issues incorporating increasingly complex derivative features, it can be asked whether the associated risk and return characteristics are adequately appreciated by investors. The difficulties faced by rating agencies in evaluating such structures and the reduced market liquidity of the underlying issues provide some indication of the extent of the problems," the BIS said in a recent report.

In spite of this cautionary note institutional investors have become more open to the use of derivatives, both debt and equity, as a tool for obtaining more efficient management of their portfolios.

Tactical asset allocation overlays, in which index futures are used to change a fund's overall exposure to certain classes of asset without having to sell the underlying shares or bonds it holds in its portfolio, has started to make headway in the UK.

Last year, First Quadrant, a Pasadena-based tactical asset allocation manager, won mandates from the John Lewis Partnership pension fund and the £2.3bn Merchant Navy Officers Pension Fund.

Meanwhile, State Street, the global custodian and quantitative fund manager, started providing a tactical asset allocation futures overlay of £460m of Cadbury Schweppes pension fund assets.

While such futures overlays are still regarded with suspicion by many managers, who question whether they really add value, some active equity managers welcome the technique because it leaves them to get on with what they do best.

"The great advantage is that it doesn't interfere with what the underlying manager does. His job is to generate excess returns by stock selection, and one of the worst things you can do is to keep taking money away from him when you decide you want less exposure to his market," says Mr Bill Goodsall, managing director of London operations for First Quadrant.

The use of more sophisticated derivative structures is also popular with securities houses, who see opportunities to generate higher returns than on basic broking, and to cement relationships with their clients' top managements.

"If we can be involved where our clients are using equity derivatives to rebalance their portfolios, it repositions us with the chief investment officer or the finance director, rather than with the traders. It's about restructuring the portfolio rather than going long of this or short of that, which tends to be a decision for the trader," says Mr Martin Owen, chief executive of NatWest Markets.

But the BIS's warning about the need for proper understanding of the risk characteristics of any structured transaction should be ringing in managers' ears.

GLOBAL CUSTODY • by Katy Massey

Leaner, fitter and more aggressive

Fund managers have more choice when allocating investment support activities

Custody is a highly competitive business. There has been intense consolidation, which has seen many financial institutions quit the industry.

The process is continuing. In late February, Montreal Trust and Scotia Bank sold its custody businesses to Royal Bank of Canada, boosting Royal Bank's custody assets to nearly US$900bn. This puts Royal Bank in the top 10 of custodian banks but its custody assets fall well short of the $3,000bn held by each of the top three.

In spite of the huge sums held by the biggest custodians, the battle to attract fund managers' assets is as intense as ever.

Those institutions which have survived consolidation are running leaner and fitter operations and are seeking new mandates more aggressively than ever. As a result, fund managers have more choice about who provides their investment-support activities.

Asset management houses such as Scottish Widows have found that the increasing complexity of global investment has made it inefficient for them to run the non-investment aspects of their businesses themselves.

There are a range of solutions on offer. Scottish Widows appointed Edinburgh-based WM to service every aspect of its £22bn portfolio, except the investment decisions. The company's managers now input their trading decisions directly to the WM system. These are matched to brokers' contracts and sent to the custodian. The custodian re-issues the reconciled instructions, which WM consolidates into investment accounts. WM can even measure fund performance and report to investors.

Custodians are increasingly including investment accounting and performance measurement in the range of services they offer.

Bringing the custody businesses up to date has meant huge investment in technology to automate the settlement of trades and movement of assets. Automating these processes, which used to be repetitive and paper-dominated tasks, means that additional volumes can be absorbed with little increase in costs. It also means that custodians can offer more sophisticated services.

Custodians are seeking to achieve huge economies of scale to pay for their spending on information technology. In the race to attract fund managers they are starting to offer the kind of activities traditionally carried out by specialist firms. These value-added services, such as valuations, client reporting and investment accounting, can provide extra revenue as fees for these more complex tasks are higher than for straight-forward safe-keeping.

There are advantages to this arrangement. It removes the need for fund managers to maintain multiple relationships. A fund manager may have a few custodians, an administrator and several brokers. Until recently, a medium-sized investment management company may have used up to five or six custodians. This model is increasingly being refined.

"More and more functions are being shifted on to the custodian," says Mr Paul Maloy, managing director at Chase Manhattan Bank.

Mr Dan Wywoda, head of global custody and trust at Mellon Bank, agrees. Mellon is expanding the scope of its operation to accommodate these functions.

"Fund managers run a huge range of different vehicles and we aim to provide the full range of services they require: not only custody but fund accounting, client correspondence and transfer agency."

In expanding the range of services they offer, custodians are becoming more choosy about the new business they acquire. They are looking for broadly diversified clients as opposed to static long-term single-market investments. "We want clients who invest in multiple markets and/or who are based in multiple locations," says Mr Maloy.

Specialist fund administration services point out that their businesses are very different from that of custodians and it is easy to exaggerate the synergy between their activities.

Mr Tony Solway sees the problem from both the fund managers' and the support service providers' point of view. He is in charge of the administration for Henderson's fund management activities and is also a director of Henderson Administration, which administers £2.5bn on behalf of about 50 fund management clients.

Dan Wywoda: Mellon is expanding the scope of its operations

Mr Solway says the administration business is itself quite diverse and many fund managers choose administration on the basis of a firm's experience of a particular vehicle. But he adds: "Regulatory and economic pressures mean that more, smaller fund managers are looking to outsource everything to one organisation. They want someone to own the process."

He thinks it unlikely, however, that custodians will be able to step in and attract fund managers on the basis of offering a one-stop shop. "Custody depends on global coverage, investment in technology and economies of scale, because when a custodian settles trades it tends to be a uniform process. In administration there are economies of scale but they are not great. The detailed accounting rules and regulations vary enormously between, say, investment funds and unit trusts," says Mr Solway.

Henderson Administration has found that the solutions it offers managers are becoming more complex, not less, and will become even more difficult for custodians to replicate. "As the world shrinks we are crafting many more individual solutions for clients. For instance, we may arrange for funds which are domiciled in Japan to be administered in Luxembourg for tax or regulatory reasons."

Undeterred, Mellon has hired a new chief executive for its fund administration business. Mr Tony Shearer is charged with more closely integrating the activities of Mellon's custody and fund administration services.

The custodian has also acquired Buck Consultants, a New York-based consultant which provides pension, health and welfare actuarial services, as well as consulting and administrative services to pension plan sponsors and corporations.

Mr Solway, while acknowledging that custodians moving into the administration area might pose a threat, insists that the role of the custodian and the role of the administrator are likely to remain discreet.

"We have good complementary relationships with custodians, which makes the most of their strengths and of ours," he says.

Mr Maloy, however, thinks that operations like Chase Manhattan's have the edge: "We are the natural winners of this argument because we are already sitting on the assets."

Katy Massey is editor of Clearing and Settlement magazine.

INDICES • by Barry Riley

New benchmarks set style for managers

It is difficult to imagine that markets existed before there were indices

What was the capital gain on the UK equity market last year? Well, the FTSE 100 Index and the FTSE All-Share Index went up 11.6 per cent and 11.7 per cent respectively. That looks close enough. But the FT 30 Index climbed only 4.6 per cent.

No wonder that years ago British unit trusts loved to compare their performance against the 30-share, but were eventually told not to.

Once you get into the area of sector and style indices the discrepancies can widen further. Unusually, the FTSE SmallCap Index performed much in line with the broader market last year, recording a capital gain of 13.4 per cent. But the FTSE 350 Lower Yield Index rose 16.5 per cent compared with 6.9 per cent for its Higher Yield twin.

Even allowing for the extra income, the Lower Yield Index – a simple kind of style index heavily influenced by growth stocks – outperformed by more than 6 percentage points in 1996.

The original stock market indices – such as the Dow Jones Average, started in 1896, and the FT 30, which appeared in 1935 – were designed to reflect the markets as a whole, although for reasons of easy calculation they were limited to about 30 blue-chip constituents.

Computer power has made it possible to refine the concepts. Some indices have become much broader – the All-Share embraces 95.7 per cent of UK market capitalisation. But others have become narrower, the most focused among the FTSE family being the FTSE AIM Index, covering 0.5 per cent of overall market value.

Specialist indices have been created to provide benchmarks for many different styles of portfolios. Indices also provide the framework within which derivative-based products can be created, ranging from futures contracts to longer-term index-linked mutual funds, or stock market-linked bonds which offer varying levels of participation in capital appreciation by equities.

The original indices were run cheaply by newspapers, banks or stock exchanges as loss-leading promotional devices. Now there is money to be made. This was shown by the takeover of the Capital International World Index series by Morgan Stanley a few years ago, and more recently by the establishment in London of FTSE International, a Financial Times and London Stock Exchange joint venture.

In the 1980s the most active field of development was global equity indices, with the FT launching a World Index in collaboration with Goldman Sachs and, more recently, Standard & Poor's. This created an alternative to the longer-established MSCI World Index.

However, it is difficult to assess the performance of a specialist manager – such as a smallcap growth or large company value manager – against a general index such as the S & P 500. In different market conditions there will be variations in return which do not reflect the skill of the manager.

Therefore style indices have been launched, especially in the US – such as the Russell 2000 Small Growth Index – to provide more precise benchmarks. Alternatively, plan sponsors can use style indices to help them judge if their specialist managers are following the styles they profess, or drifting into alternatives.

Such deviation from mandates can arise either out of incompetence or through a surreptitious search for extra performance at an unfavourable time of their particular cycle. This kind of illicit style rotation is much frowned on by consultants in the US.

Independence International Associates of Boston has extended the principle of style indices internationally, splitting about 20 country indices into value and growth sub-indices on the basis of price to book ratios.

The original idea was to find straightforward ways of outperforming. Indeed, most of the markets show substantial historical performance by value stocks. Mr David Umstead of IIA warns, however, that style performance can be cyclical and exposures may need to be managed carefully.

Indeed, in the US domestic market there is much discussion of how institutions such as pension funds can use style management to improve risk-adjusted returns. There is an obscure debate about whether pension plans should actively manage their style exposures on a cyclical basis, or should remain style-neutral in aggregate.

In the 1990s there have been significant developments in the area of global bond indices, the leaders being the JP Morgan Global Government Bond Index, and a similar series produced by Salomon Brothers.

Because of the difficulty in separating income and capital these are constructed as roll-up indices and provide the framework for a rapidly growing industry of global bond management. Recently this has extended into higher risk fringe markets, with Italy showing the best dollar returns last year among developed economies, but being outpaced by the 34 per cent return on the J.P.Morgan Emerging Markets Bond Index.

It is hard to imagine that markets existed before there were indices. The nightmare for the future, perhaps, is that if the index-trackers have their way there will be indices but no markets.

INFORMATION • by Paul Taylor

Systems to tidy up the clutter

Data suppliers have built their reputations in particular market segments

Global portfolio managers are increasingly reliant on systems that enable them to find, manage and sift through the torrents of electronic information which cross their desks.

They can choose between a handful of big information providers – such as Reuters, the world's leading financial information vendor, Dow Jones Telerate and Bloomberg – or dozens of market specialists offering niche services.

The market for financial data is expected to grow from $6.5bn last year to $8.5bn by the end of the decade. But competition is fierce and some of the established companies are struggling to maintain growth.

Financial information vendors have tended to build their reputations on expertise in particular market segments. Reuters has dominated the market for foreign exchange and equity prices, Telerate terminals have been essential for those tracking US government bonds and Bloomberg has provided exhaustive analysis of fixed-income securities.

More recently specialists such as First Call Research Direct, part of Thomson Financial Services, have started to carve out other niches. Research Direct provides a full text electronic equity research service based on material supplied by more than 100 brokerage firms, of which 20 are based in Europe. The service, which is also available on the Internet, allows clients to obtain the original full text of research reports, including charts and graphs in colour.

This proliferation of service suppliers, many of whom insisted on using their own proprietary terminals, created a battle for space on the desk top. Reuters was the first financial information supplier to address the issue of desktop clutter. It started allowing other companies to display their data on its terminals in 1988.

Since then so-called "open systems" – mostly based on data feeds to standard personal computers running Microsoft Windows – have become the norm. This has enabled many fund managers to replace multiple proprietary terminals with a single PC capable of displaying data from a number of sources, including a new group of suppliers whose services are built around the Internet.

One result of the growth of networking and intranets – internal company networks based on Internet technology standards – is that competition between vendors has started to shift from the desktop to the servers – the computers which sit at the heart of networks and distribute data to desktop PCs. Their marketing, once directed at individuals, is moving towards corporate decision makers.

Content, particularly exclusive content, has become increasingly critical in this new battleground. Telerate insists that customers buy its market data if they want access to the news service from its sister company Dow Jones. Bloomberg promotes its database of 2m bonds and other fixed-income securities, more than double its nearest competitor.

Meanwhile, the other big vendors are following Bloomberg's example in constructing historical databases which allow fund managers to analyse past performance. The growing demand for consolidated historical data is reflected in Primark's decision to launch the Topic3 Analyst service in February, after its acquisition of UK-based ICV in October.

In addition to Topic3's existing real-time price information, the new module provides price and accounts history on UK listed companies, unit trusts and investment trusts, with detailed historical data covering UK and international indices, commodities and fundamental economic indicators.

Mr David Taylor, managing director of Datastream and ICV said: "We are confident that the combination of Topic3 with the quality Datastream data, including nearly 30 years' history and extensive fundamental data, represents an attractive proposition for equity professionals looking for immediate access to historic performance and fundamentals to support investment decisions."

Primark, which is snapping at the heels of the traditional financial data vendors, is trying to add value and create exclusive content by compiling comparative international corporate data. The group employs 160 staff in Ireland and India to restate company reports according to international accounting standards, so that fund managers can make valid cross-border comparisons.

As investment banks and fund managers become more global in their approach, the ability to compare different markets on the same screen becomes increasingly valuable. Another way for data vendors to command a premium price for their services is to bring together information from different markets on the same screen – for example, by displaying bond and foreign exchange markets side by side and allowing on-screen calculations involving both sets of figures.

Such on-screen consolidation moves are matched by growing signs of consolidation among some of the service suppliers themselves. Aside from the ICV acquisition, Primark has acquired two other niche companies in the past six months. Similarly Welsh Carson Anderson & Stowe, a New York investment firm, is building a full-service vendor around Bridge Information Systems by acquiring services such as Knight Ridder Financial.

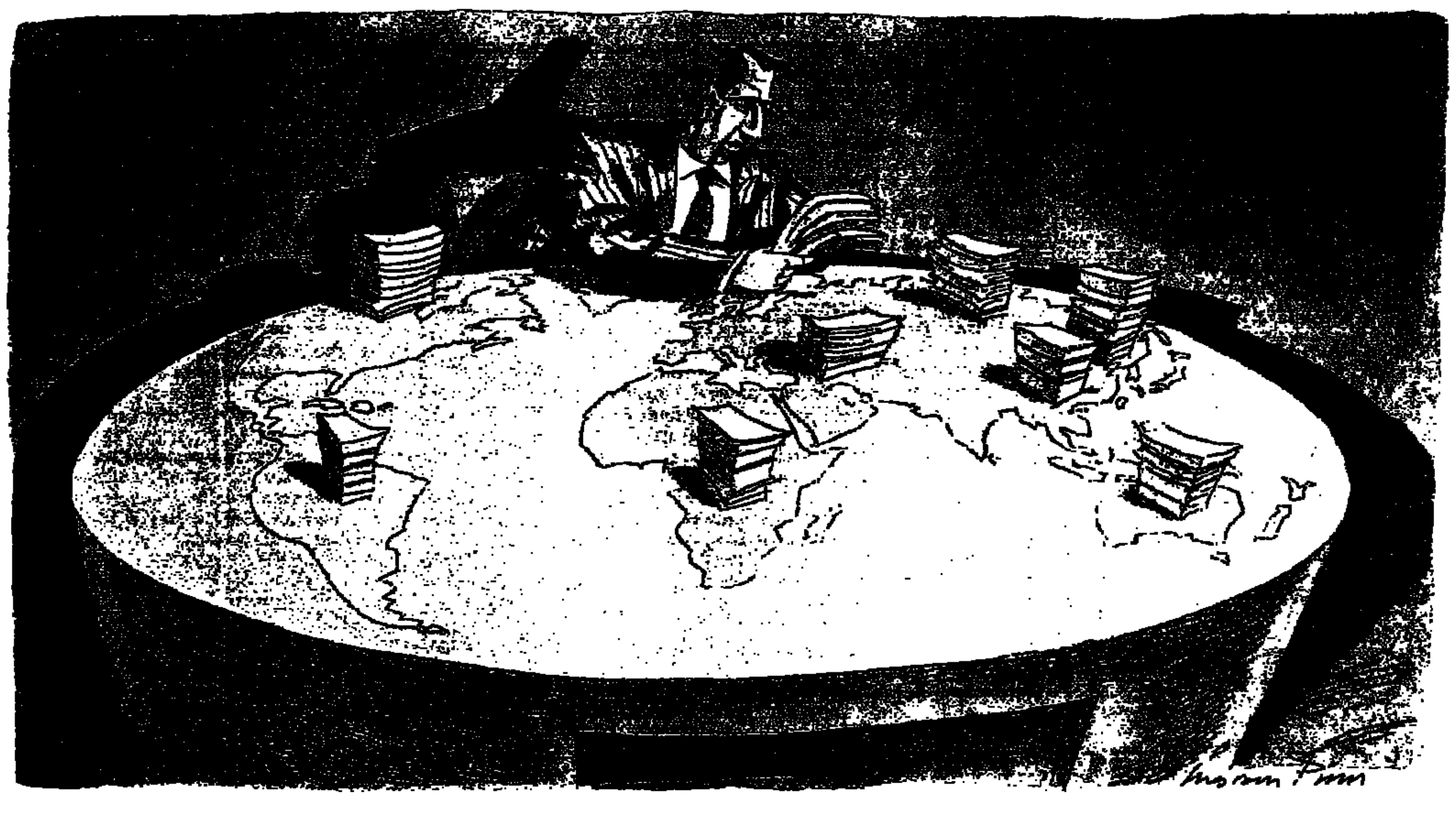
Stronger competition for the established vendors of financial data, coupled with the emergence of new providers satisfying particular customer demands, should ensure that the market for these services remains dynamic.

Coupled with the growing impact of the Internet as a low-cost delivery channel for information, these factors are likely to ensure that the purchasers and users of real-time and historical market data will emerge as the main beneficiaries of the current changes in the market for the supply of financial information.

GLOBAL FUND MANAGEMENT

The industry's assets are now estimated to exceed $22,000bn and the commercial importance of the sector is underlined by the number of financial institutions anxious to build up their presence, writes Barry Riley

Growth on a grand scale



Quietly but inexorably the management of portfolios of securities is becoming one of the world's important and influential growth industries.

The underlying securities markets are expanding rapidly. Helped by the global bull market the worldwide stock market capitalisation is heading towards $20,000bn. Fixed interest markets add up to something very similar, although in this case more because of a torrent of new issues, especially by governments, than because of rising values. Net issuance by the Group of Ten countries has been running at about $600bn a year.

Recently British Invisibles, a UK organisation which promotes exports of financial and business services, estimated that the assets of the global fund management industry exceeded $22,000bn in 1995. This included $8,200bn in pension fund assets, about $5,300bn in mutual fund assets and perhaps $6,400bn controlled by insurance companies.

Although the vast bulk of the ownership of securities, and trading in them, is entirely domestic there has been a strong increase in international business. Portfolio flows into the US have been running at more than $200bn a year, and foreign buying of Japanese stocks and bonds exceeded $70bn last year.

The commercial importance of the fund management business can be seen in the string of big deals put together by financial institutions anxious to build up their presence in this sector.

Among the transactions can be included the $24bn Morgan Stanley-Dean Witter merger announced in January, which hinged very much on the attractions of Dean Witter's mutual funds business, and last year's acquisition by National Westminster Bank of Gartmore in the UK. Barclays Bank, meanwhile, has become the world's biggest quantitative (or formula-based) fund manager by purchasing the asset management business of Wells Fargo and forming Barclays Global Investors.

Germany's Dresdner Bank has said it would like to buy another UK-based fund management business – it already owns Kleinwort Benson and Thornton – because the British industry is so interesting and attractive.

That there are risks in asset management was shown last year, however, by the unfortunate experience of another German bank, Deutsche Bank. It may have to pay £420m to cover the eventual costs of the unit trust scandal at its London offshoot, Morgan Grenfell Asset Management, not to mention the later damage resulting from the management bust-up in January which led to the noisy exit of Mrs Nicola Horlick, MGAM's pension funds chief.

Accidents apart, the move by the German banks into the international securities business is a symptom of a global shift into longer-term assets.

In the US the mutual fund industry – which now exceeds $3,000bn in value – could be bigger than the slower-growing US banking industry in a few years.

In a very different context, in Chile the AFPs – pension funds authorised under the compulsory private retirement savings scheme – manage assets worth nearly $30bn, and this model for long-term savings has been adopted by several other Latin American countries. In Europe, countries such as France and Italy are establishing funded pensions for the first time.

The progression is from bank deposits and other short-term assets into bonds, and from bonds into equities. The Chilean AFPs, which are about 15 years old, now have 26 per cent in domestic equities and 66 per cent in government bonds and other long-term debt instruments. But British pension funds have more like 75 per cent in equities and US long-term mutual funds, thanks to Wall Street's prolonged boom, have 66 per cent in equities.

Cross-border flows from such investment institutions are becoming very important. This clearly applies to the emerging markets, where the development of equity and bond markets has depended much on international capital flows.

But the same is becoming true of continental Europe, where there is comparatively little domestic money for equity investment to finance privatisations – such as the forthcoming flotation of France Télécom – and the essential generation of a more dynamic and job-creating smaller company sector, an area in which Europe is being trounced by the US.

In France private savings are being funnelled into government bonds through the availability of generous tax breaks on life assurance savings plans, now worth about FFr2,500bn ($440bn) in total. The proposed pension funds are being attacked by French trade unions as socially divisive.

International portfolio capital is therefore filling something of a vacuum, and is at the heart of a developing corporate governance revolution in continental Europe. Concepts of shareholder value are being adopted, at least on a limited scale, although powerful trade unions and traditions of active government intervention stand in the way.

British institutions have been strongly placed to benefit from these global trends in portfolio investment. They have not been hampered by the investment restrictions which tend to limit cross-border flows elsewhere in Europe, in spite of the efforts of the European Commission to remove the barriers. And until recently American investors have been largely absorbed with their domestic markets.

British Invisibles estimates that portfolio assets managed in the UK reached well over $3,000bn by the end of last year. At least a quarter of this was managed for foreign clients, and BI says that the overseas earnings generated by fund managers' services totalled £425m in 1995.

According to Technimetrics, which runs a worldwide shareholders' database, London is the biggest centre for institutional equity ownership after Tokyo. Including Edinburgh, British cities managed about $1,200bn in 1995. But the US as a whole, adding New York, Boston and several other centres together, came out clearly on top at nearly $3,000bn.

London will have a struggle on its hands to match the competitive power of the US fund management industry. With the financial eclipse of Japan in the 1990s the US has become increasingly dominant in global markets.

Apart from anything else, the US represents 45 per cent of the global equity market capitalisation and London has badly misjudged the bull market on Wall Street. American global managers are often more in tune with the economic forces and investment styles which are now driving the markets.

Many professional investors in Europe think that Wall Street is just a bubble which will burst, rather like Tokyo in 1990. But so far, despite recent wobbles, they have been disappointed. Americans tend to argue, in contrast, that the equity culture is going global and those who fail to understand the powerful long-term political and technological forces that lie behind it will be sidelined, at best.

Meanwhile, at any rate, the number of investment mandates continues to grow, and the global fund management industry is an increasingly valuable customer for a host of services and products. These range from custody, foreign exchange and back-office systems to the international information sources and worldwide communications facilities without which global portfolio managers could not operate.

Governments in many countries still resist the implications of allowing unhindered investment flows. They think that domestic capital will be cheaper if it is bottled up, and they fear the disruptive effect of heavy and possibly panicky capital flows, as in Mexico two years ago.

On the other hand, governments in the Far East and Europe have themselves pumped more than $100bn into US Treasury bonds over the past year, primarily to hold down their currencies against the US dollar.

As economic growth slows and populations age the case for encouraging private sector capital outflows from countries such as Japan and Germany becomes more powerful. German banks seem to understand the point. Global fund management has a long way to go yet.

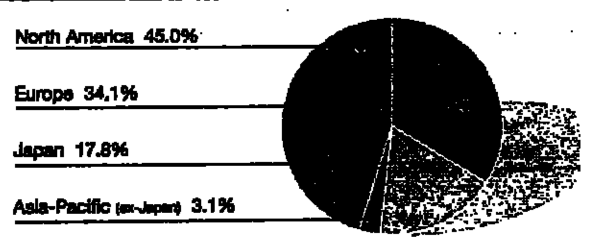
Top 25 international cities

Ranked by institutional equity holdings

Rank	Target city	1995 total ($bn)	1994 total ($bn)
1	Tokyo	1,524.4	1,523.4
2	London	1,016.5	753.7
3	Metropolitan New York	896.4	677.8
4	Boston	603.8	425.0
5	Zurich	411.0	379.0
6	San Francisco	289.0	199.0
7	Geneva	264.0	242.4
8	Paris	261.1	231.3
9	Los Angeles	242.6	189.3
10	Chicago	179.4	119.6
11	Philadelphia	173.3	122.4
12	Toronto	172.3	144.2
13	Frankfurt	157.2 [1]	129.1 [1]
14	Edinburgh	137.8	113.6
15	Hartford/Greater Connecticut [2]	126.1	104.9
16	Stockholm	89.0	54.6
17	Minneapolis/St Paul	84.3	61.9
18	Houston	78.1	52.6
19	Hong Kong	71.2	62.9
20	Newark/Northern New Jersey	68.4	47.7
21	Denver	67.4	45.7
22	Basle	64.5	57.5
23	Sydney	64.3	59.8
24	Atlanta	63.9	49.9
25	Montreal	59.9	58.5

1 Represents portfolio managed funds and excludes, as far as possible, intercorporate holdings
2 Bridgeport/Greenwich/Stamford

Global distribution of all institutional equity holdings under management



Source: Technimetrics

STOCK MARKETS • by Philip Coggan

Bourses fight for supremacy

Competition is driving national exchanges to forge links with each other

European stock markets are battling it out for supremacy. The growing importance of equities in European financial markets and the imminent arrival of a single currency are encouraging bourses to link with each other and change their regulations.

Competition has also been increased by the investment services directive, which allows European exchanges to place trading screens in other national centres. The directive came into effect in January last year.

An obvious challenge to national bourses is coming from Easdaq, the pan-European stock market. It is an attempt to mimic the success of Nasdaq, the US over-the-counter market which specialises in high-tech companies. The new exchange is designed to attract young and fast-growing companies from across the continent.

Under Easdaq's listing requirements, no trading record is required and just 20 per cent of the share capital needs to be in free float. Results are reported quarterly, as on Nasdaq.

The first company to list on the bourse was Dr Solomon's, a UK developer of anti-virus software, which also took a quote on Nasdaq. Innogenetics, a Belgian biotech company, was not far behind.

As well as from Easdaq, local exchanges face a threat from Nasdaq itself. A number of European companies have decided to float on Nasdaq, which is used to dealing with high-tech companies. A prime example was Qiagen, a German biotech company, which decided to go to Nasdaq when it needed money.

The national bourses of Europe are responding to the challenge. Paris set up Le Nouveau Marché more than a year ago and has managed to attracted a decent scattering of companies. Amsterdam's Nieuwe market was launched in February and there were plans for Frankfurt and Brussels to launch similar markets in March.

The idea is to link the four exchanges together as EuroNM, allowing brokers at the four centres to trade in each other's stocks. Within a few months traders in each of the four markets will be able to view listings on the others via a common data feed. Reciprocal dealing facilities between Paris and Brussels should be in place, by the end of the year, with Frankfurt and Amsterdam joining later. The initial aim will be to attract mainly foreign institutional investors wanting to enhance long-term returns by putting a small part of their money in high-risk shares.

The imminent launch of EuroNM prompted a battle of words between the promoters. Mr Yanick Petit, deputy general manager of Le Nouveau Marché, said: "We will be going into direct competition with Easdaq, but we believe companies will prefer to deal with their local exchanges and have the added advantage of attracting a wide variety of international investors."

Mr Stanislas Yassukovich, chairman of Easdaq, said: "EuroNM is not competition. It is a network of small-cap companies in national markets. Easdaq is a dedicated stand-alone stock market attracting different larger companies and because of that, a different mix of investors."

The Danish Stock Exchange announced in November that it was interested in forming a Nordic bourse with Stockholm, Helsinki and Oslo in a bid to meet the challenge of stock market integration in Europe. A Nordic bourse is expected to be the fifth largest in Europe. .

Such an ambitious link-up looks unlikely, however. There are some suggestions that Stockholm's dominance – it would have more than half of the combined market capitalisation and trading volume – would create obstacles to a merger. And the Stockholm exchange is itself occupied with negotiations to merge with the OM network of options exchanges.

The old system of financing European companies through bank loans and supportive shareholdings is breaking down, partly because banks are changing their attitudes and partly because the new hi-tech companies may be too high-risk to be suitable for conventional bank finance.

With pension funds starting to develop in many European countries, and with US and UK investors scouring the world for attractive stocks, companies are looking to create a broad institutional investor base.

The advent of European economic and monetary union may be prompting a change in attitude. Mr John Langton, chief executive and secretary-general of the International Securities Markets Association, says: "The implications of the single currency are profound. Local players in markets will eventually lose their edge by virtue of having lost their currency. In many cases domestic investors will have been restricted from investing in overseas equities, and those restrictions should ease because of the single currency."

Electronic trading has already revolutionised the foreign exchange and bond markets and is changing the world of equities. "With new technology, geographical advantages don't count for much," adds Mr Langton, although he says "some countries will want an exchange, rather like a national airline, as a matter of local pride and thus some markets will be supported by the bottomless pockets of local governments".

Domestic exchanges can also face competition from local challengers. The London Stock Exchange has had a rival in the Tradepoint Investment Exchange, an electronic system which is order- rather than quote-driven. Launched in September 1995, Tradepoint has struggled to make progress and has only about 0.3 per cent of trade in UK equities.

Its main role may prove to have been to spur the stock exchange into action. In January the stock exchange published details of the rules covering its own order-driven system, which is due to replace the market-making system on October 20.

OFFSHORE • by William Essex

Greater freedom to 'get on with it'

One offshore regulator described his job as ring-fencing the playground

When fund managers go offshore, they find themselves operating in a very different regulatory environment.

One offshore regulator described his job as "ring-fencing the playground. You only allow in the best people, but then you let them get on with it".

Freedom to get on with it is the first thing that attracts fund managers to offshore centres. Offshore retail and institutional funds have greater flexibility than onshore collective investments. They can "gear" themselves by borrowing to invest, they can invest in a wider range of instruments, and – a particular advantage frequently cited – they can go more completely liquid in a falling market.

Offshore funds are at once adventurous and defensive. For some offshore fund managers, the main restriction is what is allowed in the "onshore" markets in which their funds will be marketed.

Another reason for going offshore is the ability to attract international business. Mr Martin Dryden, managing director of Gartmore Fund Managers International and chairman of the Jersey Fund Managers Association, says: "If you have an international company with employees who are mobile throughout the world, they are going to want their pension and investment arrangements in a neutral territory, where moving from one country to another is not going to have a significant effect on their tax position."

He compares the UK's "extremely complicated tax rules" with the "fiscal transparency" of offshore centres.

With such freedom and flexibility, the question that arises concerns the quality of the ring-fencing. Freedom – in the sense of less-than-vigilant supervision – has not gained itself a good press recently. Various financial scandals last year had the failure of controls in common, albeit at corporate rather than official level.

The offshore world also has its scandals, of which the most enduring in the public consciousness are the Barlow Clowes affair, which afflicted Gibraltar, and BCCI, which involved Luxembourg and London. Further afield, several Caribbean centres were implicated in money-laundering scandals in the eighties.

Offshore regulators are quick to point out that all their scandals are much further in the past than the onshore scandals of last year, and that the offshore world has changed since they occurred.

Mr Martin Harrison, marketing director at Global Asset Management, agrees. "What is sad," he says, "is that the term offshore has come to suggest not quite as fresh as one likes one's fish. If you look at the record of the companies selling offshore funds, you could argue that there has been less scandal offshore than onshore. Certainly, there has been none offshore in the unit-trust industry."

GAM's offshore funds are registered in the British Virgin Islands – and its UCITS in Dublin.

"Some people seem to think of the more exotic centres as not respectable, but I certainly don't think that's justified," says Mr Harrison. "Of course, you can find some centres that are less well regulated than others, but I think the emphasis should be on the companies offering the products rather than the centres themselves."

There is certainly an argument that respectability is a selling point for an offshore centre, and therefore something to nurture. No company will wish to associate itself with a centre where its reputation might be tarnished by association. Another point frequently made by offshore regulators is that, as one put it, "when a problem occurs, we're so small that we don't have the manpower to set up a committee. We just have to solve it."

Offshore centres are small enough to exclude companies, and they have the regulatory advantage that they are small enough for efficient regulation to be necessary for their survival.

Such dependence on offshore finance is taken to an extreme in the Caribbean, where the British dependent territories were reestablished as offshore centres, in the post-scandal late 80s, by the UK's Overseas Development Agency.

The agency took the view that funding the development of respectable offshore finance would be the most effective form of government aid. Regulation is now provided by the Foreign Office, "although we probably wouldn't live without the Treasury," says Mr Nev Johnson of the Foreign Office.

"Territories like the Cayman Islands that can afford to do their own recruitment have the option of doing so," he says.

What is not respectable about many offshore centres is their past. "Questions of respectability," says Martin Dryden, "are an overhang from the days when people did go offshore to avoid tax, but there's less of that going on nowadays. It's much more about tax efficiency and avoiding complications where they are not necessary."

Offshore centres also offer tax incentives to arriving companies, and a light burden of corporate and individual tax as well as fiscal transparency. These advantages, however, are not stressed – too much talk about tax brings to mind the old and unwanted label, tax haven. Warming to his theme that offshore centres are at least as respectable as onshore centres, Mr Harrison turns the question on its head. "The UK is regarded as a very respectable location. But it has had regulations – and still has some – which are thoroughly old-fashioned.

"Now the regulations have been modernised, and we can launch open-ended investment companies. We can offer single pricing, different currency classes, different charging structures. But fund managers have been able to do that in Dublin for years.

"Many fund management companies have set up offshore just to get a more modern rulebook. And there's absolutely no reason why they should ever come back."

PERFORMANCE MEASUREMENT • by William Lewis

End is in sight for prolonged disputes

All sides are now being pushed to standardise performance measurement

The long-running disputes between fund managers in the US, UK and Europe that have dogged the performance measurement industry for years could soon end.

Several years ago concerns centred on the use, relevance and accuracy of the various performance statistics made available to trustees, fund managers, consultants and investors.

Performance measures received a bad name, partly because of claims by some fund management firms that they had outperformed some index over some period. Scams included putting forward so-called "typical" portfolios as representative of clients' actual experiences when in reality they were carefully selected.

Inquiries were set up on both sides of the Atlantic and in 1993 the Association for Investment Management and Research (Aimr), a US body, published its performance presentation standards. This move followed closely on the introduction of a voluntary pension fund investment performance measurement code in the UK, backed by the National Association of Pension Funds, the Association of British Insurers and others.

The NAPF's guidelines called for fund managers to produce independent verification of their track records. In the UK, pension funds turn to the two independent performance measurers – CAPS and WM Company – to judge the records of their fund managers. Other organisations, particularly global custodians such as Chase Manhattan Bank, are trying to break into the market in the UK and Europe.

In the US, however, investment managers report their own performance claims and have them audited. Aimr's code sets out detailed standards to ensure the accuracy of these figures but some UK pension funds have been concerned that the acceptance of US practices might dilute the UK industry's commitment to independent valuations, and the NAPF has been cautious about change.

Other fund managers see the lack of mutual recognition between the US and UK as one of the few remaining barriers to a free transatlantic market in investment management. The rapid expansion of global fund management appears to be pushing all sides to agree to standardise performance measurement.

Mutual recognition would allow UK and US investment managers to market their products in each other's country without adhering to two sets of guidelines.

In February last year the NAPF issued an updated code for fund managers which reaffirmed the warning to them not to flatter their performance by picking and choosing the period over which it was measured. It also extended the rules to cover a broader swathe of the fund managment industry.

At the same time the NAPF signalled its readiness to recognise US standards on the measurement of performance of investments. It said it would ask for UK certifications to be accepted in the US, but pledged not to give up the principle of independent verification of performance figures.

Talks between the NAPF's pension fund investment performance code monitoring group and Aimr now appear to be close to conclusion. An agreement on reciprocity could be signed later this year.

"We are optimistic that we can reach a reciprocity of standards," says Mr John Rogers of the NAPF.

The developments have been welcomed by US investment managers for which compliance with special UK practices has imposed additional costs. UK fund management companies which tap the US for investors also say that they stand to benefit. "It will help UK managers in their hunt for US business," Mr Rogers says.

With a US-UK agreement looking increasingly likely, some are trying to move the focus on to developing a global standard. The European Analysts' Federation (Effas) set up a permanent commission on performance measurement with high hopes of developing a set of global standards by the end of 1996. It has been in talks with Aimr for some time and last month the NAPF joined the talks formally for the first time.

Ahead of the talks concluding, at least one UK fund management group is moving ahead with plans to achieve Aimr verification.

Mr Charles Payne, head of performance measurement at Gartmore, the fund management arm of National Westminster Bank, said that it was hoping to become the first major UK investment house to be Aimr verified.

"Our house view is that we see great benefits in both approaches," Mr Payne says. Gartmore is attempting to achieve level two verification, the highest Aimr level. "We as a house want to be 100 per cent audited and transparent," he says. "Everyone will be doing it in five years time".

With the traditional disputes about performance seemingly coming to a close, industry experts are warning of a potentially more serious problem.

Mr John Clamp, chief executive of CAPS, says that the targets being set for fund managers by pension fund trustees are in many cases unrealistic.

"The targets usually require managers to meet or exceed the industry median average performance, as measured by CAPS or WM, but Mr Clamp warns that a majority of trustees could be disappointed in the years ahead.

"It is not so much the benchmarks themselves, but the degree of outperformance against the benchmarks that trustees seem to be putting in place," Mr Clamp says. "There appears to be an inbuilt ratchet towards ensuring that trustees expectations will not be met," he says.

John Rogers (left): optimistic about reaching reciprocity. Charles Payne (centre): 'we want to be 100 per cent audited and transparent.' John Clamp (right): targets set by pension funds are in many cases unrealistic Photomontage

INVESTMENT CONSULTANTS • by William Lewis

Fantasy of 2002 may soon come true

Investment consultants will soon have to put in place global analysis facilities

Picture this: it is 2002 and Baken & Woodstock, one of five global firms of investment consultants, wins the contract to advise Shelled, a global oil and gas company, on investment strategy for the 100 staff pension schemes it sponsors around the world.

Mr Neil O'Hanlan, senior consultant at Baken & Woodstock, thinks back five years when another multinational company gave him a similar brief. He recommended that the company take on different fund managers in each region because he was not able to find one fund management group with strength in every main market.

The company commissioned two other investment consultants to advise on its pension funds in Mexico and South Africa because it was not convinced by Baken & Woodstock's pitch about being a truly global consultancy.

Five years on however, and things have changed considerably. The fund management industry has become truly global, dominated by five fund management groups which have investment operations in all the main markets. Baken & Woodstock has grown through alliances and mergers to become the biggest investment consultancy in the world and Shelled is happy to have Baken & Woodstock as its only adviser.

Each of the three fund management groups shortlisted for the beauty parade can offer Shelled an investment strategy, style and process which is consistent around the world, and each is financially strong enough to weather any regulatory scandals.

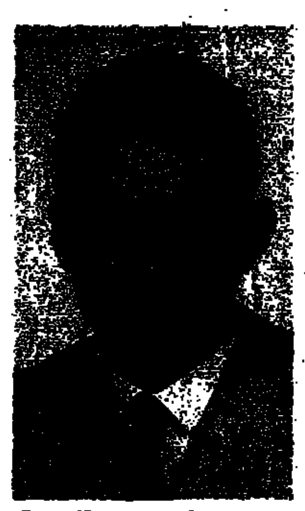
The winner is Danker Bank, which just two years before took over the last remaining independent UK fund management group, Marmalade Asset Management.

Shelled is particularly impressed by Danker's information technology, which will give its pension fund trustees around the world instant computer access to information about how their assets are being invested.

In the real world many consultants, whose job it is to analyse and recommend which fund management groups pension funds should take on, are convinced that the fantasy of 2002 may soon be true.

They believe that the trend of companies and fund management groups becoming global organisations will have to be matched by similar developments in investment consultancy.

In particular, consultants say that the recent spate of takeovers involving fund management groups have created global organisations, requiring them to put in place global analysis and research facilities.



Nigel O'Sullivan: 'we're going to see more global mandates'

Roger Urwin: 'a number of our clients are globalising'

Only a few firms can claim to have made a start.

Mr Roger Urwin of Watson Wyatt says that efforts have already been made at the investment consultancy to standardise management practices and research in its offices around the world. "We are trying to use the same sort of approaches and techniques to select managers in different markets," he says.

Watson Wyatt is a strategic alliance of two firms, Wyatt, the US benefit consultancy, and R. Watson, a UK partnership, both of which have adopted the name Watson Wyatt.

Mr Urwin says: "A number of our clients are globalising – the multinationals that have lots of pension fund assets across the world. They are very interested in consistent and high quality approaches to selecting managers across the world."

Another firm with clear global aspirations is William M Mercer, one of the world's biggest employee benefit and compensation firms, with 100 offices in 24 countries.

Mercer Investment Consulting, its investment advisory subsidiary, employs more than 200 professional staff and has annual revenues of more than £30m. Mercers is the biggest UK investment consultancy and has been making big efforts to grow its investment consultancy business elsewhere in Europe.

In May 1996 it took over Klein Haneveld, the Dutch investment consulting firm, and is taking on an increasing amount of cross-market work for multinational companies.

Another investment consultancy with global aspirations is Bacon & Woodrow, which last year announced that it had formed an alliance with Callan Associates, the biggest actuarial consultancy in the US.

The two firms advise clients with more than $550bn (£340bn) under management. Under their agreement each firm has access to the other's databases and local market knowledge. Bacon & Woodrow is also part of Woodrow Milliman, an international network of consultancies covering 26 countries.

Mr Nigel O'Sullivan, head of Bacon & Woodrow's international investment consultancy, says that the increasing trend for pension schemes, particularly in the US, to invest in non-domestic assets is leading to demands for advice on manager selection in foreign markets as well as asset allocation between various markets.

"Companies need to have a global control, someone identifying the different liabilities in each country and making sure the investment strategies are in line with the corporate statements," he says.

The possibility of global pension fund pooling vehicles – through which companies are able to pool, and invest, pension fund assets from different parts of the world – are attracting "great interest" he says.

Mr O'Sullivan concedes, however, that consultants are still some way from being able routinely to recommend fund management groups for large global mandates.

Instead, consultants focus on recommending a preferred list of fund managers in each market. With the emergence of giant fund management groups, however, "we are going to see an increasing number of global mandates", he says.

Nevertheless, the strides consultancies such as Watson Wyatt, Bacon & Woodrow and William M. Mercer have already made towards becoming global organisations appear to be already paying off.

Global Money Management, an industry newsletter, recently declared Watson Wyatt to have acted as advisers on the greatest number of publicly-known international mandates in 1996. It is the fifth consecutive time that it has come top of the GMM table. William M. Mercer came second and Bacon & Woodrow fifth.

GMM reported that Watson Wyatt advised on the award of 27 mandates worth $22.9bn, compared with 25 mandates worth $8.6bn in 1995.

Mercer advised on 20 mandates worth $2bn, compared with Bacon & Woodrow's four mandates worth $1.5bn.

Alan Cane

RISK ASSESSMENT • by Katy Massey

Moves to pin down uncertainty

Fund managers are keen to measure the elements of risk in investments

The question of disclosing the inherent risk in investment portfolios has become more controversial.

Mr Philip Warland, director general of the Association of Unit Trusts and Investment Funds (Autif), recently brought the issue to the attention of the UK investing public by discussing the possibility of risk disclosure in marketing material.

Autif is still considering whether to act, but the industry's response to Warland's comments has revealed the contentious nature of the issue among investment managers.

The fund management industry has absorbed a tremendous amount of research since the 1970s into how risk in the financial markets is best managed.

Standard risk measures for banks' trading environments have been adopted and applied in Bank for International Settlement rules and European Community rules through the capital adequacy directive. Both these regimes regulate how much risk banks take. The discipline of risk management is a permanent feature of the trading environment and this has increased its influence in the fund management industry.

And it is a discipline. Mr Gary Smith, head of Gartmore Investment Management's investment risk consultancy, emphasises the academic basis of his work. Risk control for all managers concentrates on quantifying the degree of uncertainty in investment decisions. Mr Smith aims to create a regime among Gartmore's managers which "allows enough flexibility without having too much risk".

The appetite for information about the amount of risk in investment products has been driven by mathematical research. "Fund managers, consultants and clients are much more quantitatively oriented. Five or six years ago a typical question would be: 'What are your returns on your European portfolio?' Now they will ask about the volatility of returns, asset allocation decisions – and want to know how the portfolio has behaved when these have been right, and when they have been wrong," says Mr Smith.

The result of research and client-driven demands to understand how an investment manager is earning his returns is that there are a plethora of risk measurements.

Standard deviation, which most investors have heard of, is perhaps the most commonly used measure of volatility. It is important because the variance in the value of assets, their volatility, is how financial markets express uncertainty. Uncertainty is the definition of risk.

Standard deviation expresses the amount by which investment returns will deviate from their average. The figure is applicable for 66 per cent of the time. For instance, if between 1978 and 1991 the annual volatility of world bond markets was 10 per cent, it means an investor would expect the returns from the world bond markets to vary no more than plus or minus 10 per cent from their long-term average performance two out of three years.

The problems with this method are obvious. It is purely historical and assumes that investments will continue to behave as they have done in the past. But it has the strength of being widely used and simple to understand.

Gartmore rates the amount of risk in its funds according to the standard deviation of the markets they invest in.

A more sophisticated risk measure that is widely used by fund managers, is tracking error. This brings the principles of the most popular technique to manage trading risk, value at risk (VAR), to bear on investment portfolios. Using mathematical models it produces, like VAR, a single figure to express the relationship of a portfolio's performance to an index of the market.

Tracking error uses a snapshot of a portfolio's current investments and so, unlike standard deviation, need not be purely historical. It also expresses the effect of a manager's style on performance as well as the amount of risk that he or she is taking relative to the rest of the market.

Tracking error can illustrate the relationship between the different characteristics of a portfolio and the uncertainty of its returns.

An index fund would have a tracking error of 0.5 per cent. The figure is this low because all the fund is doing is replicating market returns. A growth fund, investing in low-volatility stocks to produce steady returns, might have a tracking index of 3 per cent. A smaller companies fund, where a more aggressive management style is used with a high degree of discretion over investment choices, might have a tracking error of 7 per cent.

These indicators reflect commonsense approaches to investment decisions. Unfortunately tracking error ignores market risk. Like standard deviation, and a number of other widespread risk measurement techniques such as alpha, beta, r-squared and Sharpe ratio, it is only useful when judged with other characteristics. No single figure will ever give all the answers.

Although there is limited information available to investors, the consequences of ignoring risk, even in successful vehicles, can be dire, says Mr Till Guldimann. He is an originator of RiskMetrics, the VAR-driven trading risk management system, and executive vice-president of Infinity Financial Technology, a risk management software company.

He points out that successful investors can suffer if they fail to recognise the amount of risk in their portfolios managed by third parties. "Good returns in the past may push fund managers to take bigger risks in the future," he says.

However, advanced risk management calculations are most likely to be applied by investment managers themselves, institutional investors and their advisers. Private investors are unlikely to have the mathematical skill and computing power. This means there is still no easy way for private investors to compare the risk of different companies' products. Although many managers have, like Gartmore, a proprietary risk-rating system, the language and techniques used are specific to individual institutions. Only a voluntary or regulatory code to standardise risk disclosure in marketing material will overcome this.

Investors must wait to see if Autif will grasp the nettle.

Katy Massey is editor of Clearing and Settlement Magazine.

Gartmore risk ratings

Market	Index	Historic volatility (% p.a.)	Risk rating
Gold mines	MSCI Gold Mines	40	5
Hong Kong	MSCI Hong Kong	37	5
Pacific ex-Japan	FT/S&P World Pacific ex-Japan	34	4
Emerging markets	IFC Composite	30	4
US smaller companies	Nasdaq OTC	24	3
Japan	MSCI Japan	23	3
UK smaller companies	Hoare Govett smaller companies	23	3
European smaller companies	European Selected Opportunities	22	3
US	MSCI USA	20	3
UK	FTSE All-Share	19	2
Europe ex-UK	MSCI Europe ex-UK	16	2
World equities	MSCI World	16	2
World government bonds	Salomon weighted world bond	10	1
UK government bonds	Salomon UK government	10	1

Source: Quantec, except Hoare Govett Smaller Companies which is from Hoare Govett, and European Selected Opportunities which is from Micropal

Till Guldimann: success may blind investors to risk

BACK OFFICE • by William Lewis

Still busy with their own housekeeping

The industry has been slow to divest itself of its peripheral activities

Fund managers are rarely short of views and one that they have stuck to fairly rigidly in recent years is the belief that companies should focus on what they are good at and either sell off – or more often buy in – the rest.

In a range of industries, such as car and food manufacturing, it is commonplace for companies to focus on core functions and buy in other services from specialist suppliers. But until recently, as one UK company chairman puts it, in the fund management industry it has been a case of "do what I say, not what I do".

A fund manager's core function is meant to be analysing portfolios and selecting stocks, but consultants say that a majority of asset management groups in the UK and other European markets still do most of their own back office and other administrative work.

There has been a shift by several fund management groups over the past two years to contract out parts of their administration, leaving their fund managers to focus on investment decisions and portfolio management.

A series of outsourcing deals hit the headlines in the UK last year, most involving WM, the Edinburgh-based investment management information and administration specialist.

At the end of last year WM announced that it had been appointed by three fund management operations to manage parts of their investment portfolios. Earlier in the year Scottish Widows, the life assurance company, said it had agreed to contract out the administration of its £22bn portfolio to WM.

Prudential Portfolio Managers announced that as part of outsourcing the custody of its £45bn portfolio to Midland Bank and Mellon Trust, Premier Administration, a subsidiary of Mellon Trust, would be responsible for the pricing of PPM's £2.1bn of unit trusts. Eventually it will also be responsible for the pricing of PPM's £2bn-worth of unit linked life and pension products.

These deals have made industry specialists hopeful that fund managers will soon be as willing to outsource their back office work as they are to contract out global custody. But compared with the fund management industry in the US, the UK and Europe are greatly underdeveloped.

One of the main reasons for the conservative approach of fund managers to outsourcing is concern about regulatory difficulties. Fund managers, particularly in the UK, say that it is so important for back office work not to go wrong that they insist on it being done in house.

The concerns of UK fund managers were heightened last year by the administrative chaos at Fidelity Brokerage Services, which prompted the Securities and Futures Authority, the UK stockbroking regulator, to intervene.

The SFA plans to discipline the low-charge stockbroker, probably with a fine, for failing to raise its customer service to an adequate standard. FBS ran into difficulties in April last year when it introduced a new settlement and record-keeping system. Last October the broker closed to new private client business at the request of the SFA.

Fidelity International, which controls the non-US interests of FMR Corp, the US Fidelity group company, stresses that the broking business is owned by FMR, but it is clearly an embarrassing setback for the Fidelity group of companies.

It is particularly embarrassing in light of Fidelity's plans to market its multi-currency shareholder record keeping system. Fidelity launched its Global Fund Administration System last year to provide information to managers and clients in various languages and currencies. It wants to sell this for other companies to use.

A recent survey of 303 UK pension schemes by Hartshead Solway, the UK's leading independent specialist third-party pension scheme administrator, found that about one-third had never considered outsourcing their scheme administration. While most schemes with outsourced services said they were "broadly happy", one-fifth said that standards had not reached the expected levels.

The survey also found that compared with four years ago, 21 per cent more firms are indicating that they might consider outsourcing their pensions administration. But "it is clear a hard core of around half of the in-house administered schemes sampled take the view that outsourcing is not likely to be an option they will ever take up," it says.

Hartshead says that the costs of running a third-party administered scheme are on average about 22 per cent less than an in-house administered scheme. In the past year third-party administration costs for larger schemes have increased by between 2 per cent and 4 per cent. The range for in-house administered schemes was 8 per cent to 10 per cent.

But the economics of contracting out are not clear. Margins in administration are generally thought to be low. Henderson, the UK fund management group which has a specialist fund administration arm, said that in the year to March 1996 management fees as a percentage of average funds under administration were 0.21 per cent. This compares with average management fees of 0.28 per cent for UK institutional funds under management and 0.64 per cent for retail investment business.

2 PHARMACEUTICALS

BRITAIN • by Daniel Green

In remarkably good health

It remains one of Europe's most important centres for research and development

Considering that the UK has lost half its large pharmaceuticals companies in the past three years to mergers and takeovers, the industry is, in remarkably good health.

It remains one of Europe's most important centres for drug research and development both for home-grown businesses and overseas investment. In addition, it has Europe's biggest and most successful biotechnology sector.

There are many factors behind this success but few are permanent, or unique to the UK.

It is almost 18 months since Fisons was taken over by Rhône-Poulenc Rorer, the US drugs company controlled by Rhône-Poulenc of France.

That was the last in a series of takeovers that also saw the Boots drugs business swallowed by Germany's BASF and Wellcome taken over by Glaxo for more than £9bn ($14.3bn).

These takeovers were accompanied by large-scale job losses – including 7,000 from Glaxo Wellcome – and site closures such as the Wellcome research centre at Beckenham in Kent.

Pharmaceuticals industry employment in the UK fell from a record 81,000 in 1993 to 75,000 in 1994, according to the Association of the British Pharmaceutical Industry, and is likely to have fallen further since.

But at the same time as the cuts, some companies grew. Sweden's Astra, one of the fastest growing of the world's top 20 drugs companies, took over Fisons research centre in Loughborough in March 1995. Pharmacia & Upjohn, the US-Swedish merger, put its headquarters in the UK later the same year.

More recently, SmithKline Beecham has chosen the south-east of England as the bridgehead into Europe for its huge north American clinical laboratories business. It intends its site at Heston, near Heathrow Airport, to offer non-urgent laboratory testing for much of north west Europe. It already has it first contract with a hospital and started its marketing effort this month.

Perhaps most important, is the rapid growth of biotechnology companies in the UK. In employment terms they are still small, with less than 11,000 employed by 221 companies, according to a report published last month by consultant Arthur Andersen.

The potential is apparent from the stock market valuations of the companies.

The biggest company, British Biotech, has market capitalisation of $2.5bn, comparable with that of Fisons in its last years of independence. British Biotech employs only about 400 people. But it will take only a handful of successes from the UK biotechnology sector to recreate the breadth of the early 1990s.

The apparent ability of the UK to sustain its drugs industry and even regenerate it at a time of consolidation around the world has many causes.

Some benefits the UK has in common with other countries. There is a strong science base which in the past has received funding from government and research charities.

However, the erosion of state support for scientific research has been enough to prompt drugs industry calls for a reversal of policy.

An industry council identified "severe problems arising from the current erosion of the science base in terms of infrastructure and equipment, and the lack of practical skills of many of the new science graduates".

The UK drug pricing system, the pharmaceutical pricing regulatory scheme (PPRS), has also been credited with encouraging a pharmaceuticals sector.

Under PPRS, which was set up in the 1950s, companies are free to set prices provided they make a return on capital invested which is below a ceiling set by government. This is considerably freer than the rules in most of the rest of Europe, where drug prices themselves are set by government.

Some companies, notably Merck of the US, are opposed to the PPRS. It is opposed to any controls of a free market.

It and other companies want a free market across Europe, not least to eliminate the price differentials between countries that have fostered "parallel importers", which buy medicines in countries where set prices are low and – using the European single market's open borders – take the medicines to high price countries for re-sale.

Last month the terms of PPRS were renewed for another 18 months in an interim review of the scheme. Merck senior executives privately concede that they have little chance of reforming PPRS in the medium term.

The very stability of the PPRS has been a benefit to the industry in the UK, according to Mr Keith Krzywicki, president of Pharmacia & Upjohn UK.

"It means you can look 10 years ahead with reasonable confidence, and that is the length of time it can take to research and develop a new drug."

According to Mr Stephen Kon, pharmaceuticals industry lawyer at the law firm SJ Berwin, the UK has advantages for the notoriously litigious pharmaceuticals industry.

"UK courts tend to refer matters to the European level much faster than in many other countries," he says. "And that means that problems [relating to Europe-wide issues] are dealt with more quickly".

But Mr Kon feels that the presence in London of the European Medicines Evaluation Agency (EMEA) has made little difference yet to the UK's attractiveness to drugs companies.

"It's like those US companies that put their offices in Brussels, in the belief that Brussels would become the Washington of Europe," he says. "But Europe is not federal like the US."

Certainly, the evidence so far is that only a handful of companies have set up small regulatory offices in the UK, although Pharmacia & Upjohn cited the EMEA's presence as a contributory factor to its decision to put its headquarters near London.

Far more important, he says, is the fondness with which successive UK governments have looked on the drugs industry as a source of employment and exports.

The UK is unusual in having the health department as the industry's sponsor and its biggest customer by far.

That has not stopped governments from occasionally imposing modest price cuts on drugs. And the UK has one of Europe's highest rates of generic prescribing – in which pharmacies dispense the unbranded version of a patent-expired drug rather than staying with the originator's brand.

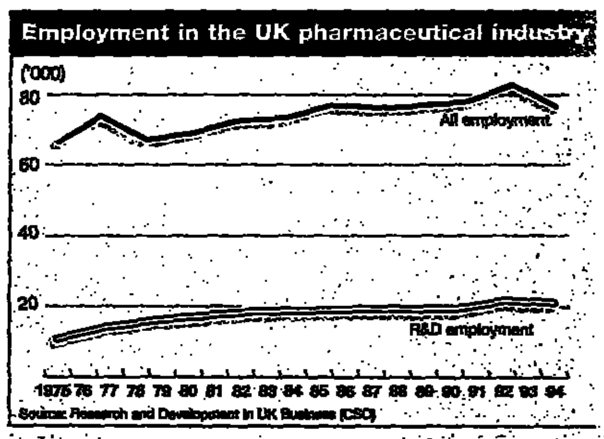
But such measures are a long way from the windfall tax the French government imposed on the drugs industry last year and government price controls in Italy which have brought repeated threats by Italian companies to relocate out of the country.

In the UK the drugs industry is largely happy with the business environment.

The main danger it sees is that the flow of science graduates may be damaged by inadequate state spending on higher education.

British Biotech's bioanalytical suite. The company, which employs about 400 people, has market capitalisation of £1.6bn

Fisons research centre in Loughborough was taken over by Astra



Source: Research and Development in UK Business (CSO)

THE US • by Tracy Corrigan in New York

Investors take medicine

Drugs companies will boost earnings by lifting sales volume, not their prices

US pharmaceutical companies are back in favour with investors, and analysts are singing their praises. Amid concerns that US corporate earnings growth is about to slow, many US pharmaceuticals companies are expected to produce growth of more than 10 per cent.

Drugs companies will achieve this not by forcing through big price rises – the politically unpopular and arguably unsustainable approach that has been used in the past – but by generating strong sales volume growth. At the same time, they are maintaining or expanding heavy investment in research and development.

This is a far cry from circumstances just a few years ago. At the beginning of the decade many considered the outlook for pharmaceutical companies in the US was bleak. "Wall Street was almost hysterical in the early 1990s about the impact of government health reform and managed care," says Mr Alex Zisson, pharmaceuticals analyst at Hambrecht & Quist. In the event, the radical healthcare reform envisioned by the first Clinton administration did not really get off the ground.

Managed care – the bulk-buying of healthcare through insurance companies, shifting power away from doctors and patients and into the hands of insurers – did take off. Many Americans, often through company schemes paid for by their employers, now belong to so-called health maintenance organisations, which frequently limit patients' choice of doctors as well as the range of treatments they can receive.

But even then, "managed care hasn't turned out to be the monolithic industry" that had been feared, says Mr Zisson. Pharmaceuticals companies were concerned that the increased clout of managed care companies, with their buying power, would allow them to force massive discounting of drug prices.

While HMOs have won discounts, these have generally been fairly modest. According to surveys drug prices are rising more or less in line with inflation, at 2 per cent to 4 per cent, compared with 6 per cent to 7 per cent at the beginning of the decade.

Drugs companies have been able to compensate for weaker price inflation with increased sales volume. HMOs have been willing to buy more drugs because they prefer patients to get drugs rather than expensive stays in hospital and even more expensive surgery. Drugs companies have been successful in developing drugs which can avoid the need for later surgery – which are particularly appealing to HMOs.

The fastest growing category last year was cholesterol-lowering drugs, according to Lehman Brothers research. These can prevent the expensive heart surgery facing patients who are not treated early. Lipitor, a new cholesterol-reducing drug to be marketed by Pfizer and Warner-Lambert this year, could have sales of more than $400m in the US alone, analysts say.

"More and more studies are starting to show that there is nothing as cost effective as a good drug," Mr Zisson said. Only 7 per cent of healthcare spending in the US was on drugs, compared with 12 per cent in Europe, he added.

Mr Mario Corso, research analyst at institutional brokerage Rodman and Renshaw, agrees that there has been "an improvement in the way that pharmaceuticals and managed care companies work together. Managed care companies are looking more and more at the longer-term costs of health care and are more willing to pay the price of more expensive, newer therapies" that will save money in the long run.

However, the rapid pace of new drug approvals by the US Food and Drug Administration is unlikely to be repeated this year. Last year 58 new compounds were approved, according to Rodman & Renshaw, compared with an average of 25 to 30. Mr Corso believes that the number of drugs approved this year will be back in line with the average, as "a good part (of last year's approvals) was the backlog" of drugs waiting for approval. The FDA's approval process is "getting quicker for some areas like cancer and Aids", according to Mr Zisson, but not for all drugs.

Still, companies have been successful at creating more powerful drugs within an existing class or better treatments which will replace earlier drugs. Among this year's big product launches are Trovan, a quinolone antibiotic developed by Pfizer which could be launched by the end of the year, and Rezulin, a diabetes drug from Warner-Lambert.

There has also been a spate of "lifestyle" drugs, such as Propecia from Warner-Lambert for male pattern baldness. Redux, an anti-obesity drug from American Home Products, last year generated $132m in sales, according to Argus Research.

But competition between companies is mounting. Lipitor, the new cholesterol lowering drug from Warner-Lambert and Pfizer, will have to compete with existing products, Zocor from Merck and Pravachol from Bristol-Myers Squibb.

Still, "the rapid pace of cholesterol drug prescription growth is likely to be sustained for much of the rest of the decade", according to Mr Jerome Brimeyer, Lehman Brothers' pharmaceuticals analyst in Doctor's Orders, a recent report.

The result of increasing head-to-head competition on drugs is more spending on more aggressive advertising. US pharmaceutical companies run television and press advertisements touting the superiority of their prescription drugs over those of their rivals. This is a new phenomenon – although the practice has long been used for over-the-counter drugs.

According to Lehman Brothers spending on direct-to-consumer advertising for prescription drugs has doubled in the past two years.

Spending on research is also increasing. Pfizer is increasing its R&D spending by 20 per cent to $2bn this year. Mr William Steere, the chairman and chief executive officer, said: "As a company, we are entering an era of unprecedented new-product opportunities." As well as having speeded up its own research processes, drugs companies are entering more joint ventures and licensing agreements with mainly US-based biotechnology companies.

FINANCIAL TIMES SURVEY Thursday April 24 1997

PHARMACEUTICALS

Despite optimism over strong earnings growth in 1997, chief executives refuse to take the upbeat mood for granted. More bids and deals might be just around the corner, writes **Daniel Green**

Feelgood factor is back but industry stays wary

In 1996 the world's pharmaceuticals industry enjoyed one of its most profitable recent years. Indeed, the industry has entered a period of calm – there has not been a hostile bid in the sector since 1995 and no large mergers for a year.

Companies are making money the old fashioned way by selling plenty of goods at high profit margins.

Most US and European pharmaceuticals groups recorded double-digit earnings growth in 1996, compared with an average for US companies of about 8 per cent.

Chief executives, such as Mr Richard Jay Kogan at Schering-Plough of the US, believe 1997 will be another year of good earnings growth, with the percentage increase for earnings per share "around the low to mid teens".

Drug companies offer two explanations for this strong performance which has come in spite of continued efforts to control healthcare spending by governments and other healthcare buyers, such as US health maintenance organisations (HMOs).

First, the use of more effective drugs can itself save money by allowing patients to leave expensive hospital beds sooner.

Cutting costs elsewhere in the health system may be a better way of saving money, therefore, particularly as drugs account for only between 10 per cent and 20 per cent of national healthcare bills.

An example of this is the reduction in demand for beds in Aids clinics, following the introduction of the latest drugs. While the treatments can cost more than $10,000 a year, the cost of a bed can be $1,000 a day.

Second, HMOs are finding it harder to buy drugs at discount prices.

HMOs have sought to cut costs by limiting the number of drugs in each medical area their doctors can prescribe and then negotiating discounts with the suppliers. But in the past year they have come under attack from doctors and patients worried that their choice of treatments was being curtailed.

"You look at the 1980s [when HMOs were a rarity]. and this industry was raising prices 8 or 9 per cent a year," says Mr Hank McKinnell, president at Pfizer of the US. "We did no [price] discounting until about four years ago and price rises went down to zero."

Last year, however, was different. While price rises were static – officially – despite a rise in sales, revenues actually rose, partly because smaller discounts were being given, he concedes.

With sales and profits rising, therefore, drug companies have seen no need to indulge in the mergers and takeovers of the early 1990s.

They have, however, not been idle, even though tactics have remained cautious and conservative. Last month, America's biggest drugs company, Merck, announced a $5bn purchase of its own shares.

It was the latest, and biggest, share buyback in the drugs industry, and comes on the heels of a $3bn buyback by the same company last year, and a host of smaller ones from the likes of Chicago's Abbott Laboratories and New Jersey's Schering-Plough.

For tax reasons, share buybacks are rare in Europe. But stock market analysts and finance directors are busy studying the rules on the legality and tax status of buybacks.

Some like what they see. On March 19, analysts at Credit Suisse First Boston declared that a buyback by Switzerland's Roche was "much more likely than a major acquisition".

After at least two years of rumours in several stock markets that Roche was about to make a multi-billion dollar takeover offer for a rival drugs company, the idea that it might spend the money on its own shares instead is striking.

Tax questions have not stopped some other European companies from finding ways of handing cash back to shareholders. Last month, the world's biggest drugs company, Switzerland's Novartis, raised its dividend payout by 19 per cent, at a time when sales and profits grew by only about 5 per cent.

The change to a more risk-averse mood is clear in two other areas. In the early 1990s, many drugs industry executives declared the death of the "me-too" drug, one that was similar to existing products and designed to take 5-10 per cent of a large and established market.

The changing healthcare environment meant that it was no longer worth developing such drugs. HMO drug lists of the two or three medicines in each medical area their doctors could prescribe would shut out the also-rans.

Pressure from doctors and patients, as well as genetics research that is increasingly suggesting that a given drug might work for some people and not others, has, however, changed that.

"There's nothing wrong with the me-too drug," said a senior executive of a US pharmaceuticals company last month. "It may be the one that works best for a proportion of patients."

There has been a similar restoration of faith in the effectiveness of using a sales force. The mergers of the early 1990s were followed by job cuts in sales forces, the justification for which was claimed to be changing patterns of drug purchasing. The growth of buyers' groups, especially, but not exclusively, in the US meant that fewer sales people could negotiate larger deals.

But the past six months has seen a series of recruitment drives by drug companies including Bristol-Myers Squibb and Schering Plough and Novartis.

Pfizer, for example, will have increased its US sales force from 2,300 to 3,500 since 1994 and its non-US sales force from 6,900 to 10,000 over the same period.

The companies argue that the change of heart is because of the number of new drugs being launched. In addition, some of the new drugs are in areas that have not been tackled by the drugs industry before, such as Alzheimer's disease, multiple sclerosis and schizophrenia. That requires the creation of specific sales forces to serve specialists, such as neurologists or psychiatrists.

"We've probably doubled the size of our US sales force in the past five years. We have a whole new generation of representatives," says Mr Hank McKinnell, Pfizer's president. "Doctors don't resent it, I think doctors call them rather than them calling on the doctors.

The radical restructuring which took place in the early 1990s may now, according to many US company executives, centre on Europe, where there still exist a number of mid-sized companies that have so far not been involved in the industry's reconstruction," Mr William Steere, chief executive of Pfizer, says.

"Although the pool of possible candidates for merger has shrunk fairly substantially in the last few years, some of the weaker European companies will look at mergers," he says.

"There will be some consolidation, and some of it will be hostile."

In Europe, views on whether further restructuring is likely are divided. Sir Richard Sykes, chief executive of Glaxo Wellcome is among those convinced that there will be more big deals done.

But Mr Klaus Pöhle, chief financial officer of Berlin's Schering, one of the mid-sized European companies high on the list of potential takeover targets, disagrees. "There is room for global medium-sized companies if their focus is tight enough," he says. Schering itself is, for example, number one in diagnostics and female health.

That may be the case when the industry as a whole is performing well, but the risks of relying on one or two areas may become apparent if circumstances change.

Novartis is one company continually questioned about when it will make takeover offers – perhaps not surprising, given that its cash pile is increasing at more than SFr3bn a year.

Dr Daniel Vasella, chief executive, says: "I am not concerned that we are cash rich, but we are not a bank and will not sit on the money like Scrooge," he says.

"But we will be prudent. Remember, these are the good times. They will not last for ever."

Worldwide pharmaceutical sales

Corporations	1996 Ranked by sales	Market share % 1994	1995	1996
Novartis (Ciba-Geigy/Sandoz 96)	1	4.5	4.4	4.4
Glaxo Wellcome	2	4.6	4.4	4.4
Merck & Co	3	3.4	3.6	4.0
Hoechst Marion Roussel	4	3.8	3.5	3.3
Bristol-Myers Squibb	5	3.2	3.1	3.2
Johnson & Johnson	6	2.7	2.8	3.1
American Home	7	3.1	3.0	3.1
Pfizer	8	2.7	2.9	3.1
SmithKline Beecham	9	2.8	2.8	2.7
Roche	10	2.7	2.6	2.7
Leading 10 corporations		33.3	32.6	34.0
Audited world ($bn)		192	218	222

Source: IMS Pharmaceutical World Review - PreView data 1997 edition

IN THIS SURVEY

Production Editor: Philip Sanders

Freeze drying at the Micro-organism Depository of the Fermentation Research Institute in Tsukuba Picture: Ashley Ashwood

JAPAN • by Bethan Hutton in Tokyo

Consolidation prescribed

Attempts to cut the nation's drugs bill mean that companies must seek new income

Japan's rapidly ageing population is one of the factors boosting the nation's drugs bill Picture: AP

The wave of mergers in the world pharmaceuticals industry has so far passed Japan by: but industry observers say that Japan's fragmented pharmaceuticals sector must undergo substantial consolidation if it is to compete in changing markets, both at home and abroad.

There are more than 1,500 pharmaceuticals manufacturers in Japan, most of them tiny. There have been just 10 mergers or acquisitions among them since 1987, and none of any great size. Japanese corporate culture views mergers and acquisitions (M&A) negatively: they are seen as a last resort for companies which would otherwise face bankruptcy.

However, one significant merger is in progress: Green Cross is to merge with Yoshitomi, under the Yoshitomi name. But this is hardly a sign that Japanese attitudes to M&A are changing – it is seen as a rescue operation, given the continuing law suits related to Green Cross' involvement with HIV-infected blood products in the late 1980s.

Yoshitomi's business was also in a poor state, and it was a likely M&A target. The merger will give it a larger market share, ensure it sympathetic treatment from the Ministry of Health and Welfare (MHW) on drug pricing, and put off predators.

"It is a kind of poison pill," says Mr Shigeru Mishima, pharmaceuticals analyst at UBS Securities in Tokyo: Green Cross brings its legal liabilities to the match.

Mr Mishima believes that mergers will become increasingly necessary for survival, particularly since the mega-mergers of European and American companies give their Japanese subsidiaries larger shares of the domestic market. According to Mr Mishima, it is widely rumoured that overseas pharmaceuticals companies have approached a number of Japanese companies, including Yoshitomi and Tanabe, with merger propositions, but they have so far all been rebuffed.

The rationale for consolidation in the Japanese market is obvious to Western eyes. For example, the profusion of pharmaceutical manufacturers in Japan means that much of the R&D work is low-level and duplicated elsewhere, and therefore brings low returns.

Foreign companies mainly want to acquire marketing networks, not research and development (R&D) facilities, in Japan, so could easily cut costs by dropping R&D in any acquisitions. It is still difficult to make full-time employees redundant in Japan, however, which means that efficiency benefits from mergers would not be as great or as immediate as in the US.

Japanese culture is a barrier to internationalisation in areas other than resistance to mergers. As Mr Yoshihiko Yamamoto, pharmaceuticals analyst at Salomon Brothers in Tokyo, points out, the new internationally harmonised standards for clinical trials require informed consent from all participating patients. In Japan there is still a tradition that the doctor knows best, and patients are rarely consulted or given detailed information about their own treatment, even to the extent that it is still common practice not to tell cancer patients that they have the disease. Moving from this situation to full informed consent is a significant leap; the response so far has been to move trials overseas.

Other influences are also at work, adding to the need to expand overseas or improve efficiency domestically. One is government pressure to reduce drug prices. Japanese doctors prescribe more drugs than their counterparts anywhere else in the world, Japanese pharmaceuticals are among the most expensive, and public health insurance covers almost the entire cost of medicines. All of this, combined with Japan's rapidly ageing population, have prompted the government to take steps to cut the nation's drugs bill.

Over the past few years, the MHW has been making annual cuts in the official prices at which doctors are reimbursed for the drugs they prescribe. The next tranche of cuts, taking effect in April, averages 3 per cent. So far, however, there has been no significant decline in pharmaceutical consumption.

Patients only pay a fraction – on average 12 per cent – of the cost of medication, so they have had no incentive to react against over-prescription. The government's next tactic is to increase patient co-payments, but this has been delayed by protests from the medical profession.

Even if government measures reduce the volume and cost of drugs prescribed per patient, the overall drug bill is unlikely to decline over the long term, as the ageing of the population increases the number of heavy consumers of medication. However, profit margins for pharmaceutical manufacturers will be affected, so companies are looking abroad for new income flows.

A few Japanese companies are already taking significant steps in this direction. Takeda, for example, has been expanding its overseas network, and has plans to list on the New York stock exchange. Eisai is also developing rapidly abroad. It has not yet launched its latest key product – Aricept, a drug for Alzheimer's patients – in Japan, but it is already on the market in the US, through a partnership with Pfizer, and will soon be launched in the UK then the rest of Europe. As yet, Eisai is still dependent on links with partners such as Pfizer, because it does not have a complete marketing network of its own, but that may soon change. Eisai reportedly hopes to increase the proportion of overseas sales from less than 10 per cent now to more than 35 per cent over next few years.

Companies which follow this path may preserve their independence, but it seems unlikely that there will be 1,500 Japanese pharmaceutical manufacturers in 10 years' time.

Ampule storage at the Fermentation Research Institute Ashley Ashwood

FRANCE • by David Owen in Paris

A rather curious mixture

Bull market for sector's stocks despite Juppé's special charge and slowing sales

The year was marked by a bull market in the shares of the leading pharmaceuticals companies Picture: AP

It has been an eventful and, in some ways, curious time for the French pharmaceuticals industry.

On the one hand, last year may go down as the year France's hard-pressed centre-right government, anxious to rein in the country's stubbornly high social security deficit and hence improve its chances of qualifying for the single European currency, finally succeeded in putting a brake on domestic drugs sales.

According to IMS International, the specialist pharmaceuticals industry market researchers, sales of prescription drugs in France rose only 2 per cent in 1996 to $15.1m, one of the slowest rates of growth in the world's top 10 markets.

Analysts attribute this largely to the pressure the French government has put on doctors to prescribe fewer drugs to patients generally reckoned to be among the biggest per capita consumers in the world.

The reforms have triggered a strike among young hospital interns, or trainee specialists, who argue they will deny them a just return on their long training, many observers now expect growth to remain subdued for years to come.

"We may be at a turning-point for French healthcare," says Mr Philippe Cottet, pharmaceuticals analyst with Cholet-Dupont in Paris. "Perhaps the growth rate will not stay as low as 2 per cent, but it will remain under 5 per cent for some time."

In the light of this, it is perhaps surprising that the year was also marked by a raging bull market in the shares of the country's leading pharmaceuticals companies, which rose between 60 per cent and 85 per cent year-on-year on the Paris stock market. This is all the more remarkable as companies were also subject last year to a special FFr2.5bn charge, requested by Mr Alain Juppé, the prime minister, in late 1995, as part of measures to reduce the country's welfare deficit.

Analysts point to three reasons why investors were so keen to buy into the sector, in spite of sluggish growth in the underlying market.

First, the big French companies are increasingly international. According to Mr Cottet, as recently as the late 1980s French companies had very little direct presence in the US market – by far the world's largest. Now, Rhône-Poulenc owns 68 per cent of Rhône-Poulenc Rorer, a US drug group with more than $5bn in annual sales, while Sanofi bought the prescription drugs business of US-based Sterling Winthrop in 1994 and last year strengthened its presence there further by acquiring Bock Pharmacal of St Louis, Missouri.

While figures compiled by the Syndicat National de l'Industrie Pharmaceutique, an industry body, suggest French companies' presence in US and Japan is relatively small compared to groups from some other countries, they nevertheless have greater exposure to comparatively fast growing markets outside France than only a few years ago.

Second, the reforms are said to have given companies freedom to focus more aggressively on higher-margin products, albeit within the context of efforts to control spending. According to one analyst, there is considerable scope for companies to "optimise" the performance of their French product portfolio. He estimates companies are likely to be able to secure overall margin improvements in this way for at least a year or two.

Finally, investors were gambling that a wave of restructuring was in prospect in a French pharmaceuticals sector subject to markedly less consolidation than has occurred in many other countries in recent years. "The market has speculated on a trend towards concentration in France," says Mr Arnaud Delépine, pharmaceuticals analyst with Société Générale in Paris. "We had no really big companies. France was the country where the fewest significant rapprochements had taken place."

Such feelings were finally confirmed last December, when Hoechst of Germany announced it would buy the 43.5 per cent of the French group Roussel Uclaf it did not already own. The price of DM5bn, or FFr1,530 a share, was well over 80 per cent higher than Roussel's share price at the start of the year.

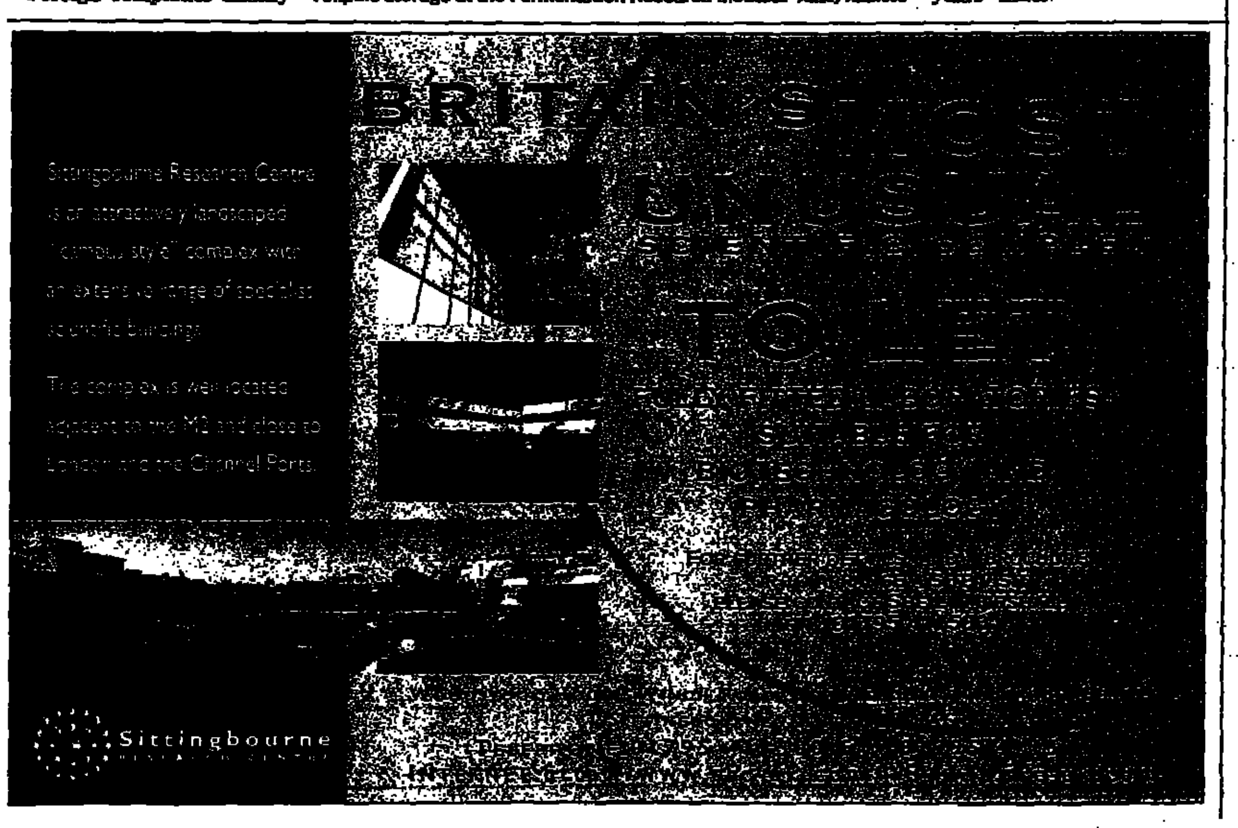
A further announcement came later the same month, when Elf Aquitaine, the oil and chemicals giant that owns a majority of the pharmaceuticals group, Sanofi, served notice it might sell control. Sanofi should "move nearer other pharmaceutical laboratories, through a merger, in order to speed up its development and increase its profitability", Elf said, while emphasising it wanted to remain an important shareholder.

Much recent comment on Sanofi has focused on expectations surrounding a number of new products. Mr Jean-François Dehecq, chairman, has said he has three molecules that could each generate annual sales of at least $1bn.

One is clopidogrel, a new heart drug also known as Plavix, that is due to be launched next year by Sanofi and Bristol-Myers Squibb of the US. Another is irbesartan, a new type of treatment for hypertension which was co-developed with Bristol-Myers Squibb and is awaiting regulatory approval in the US.

The third is tiludronate, an osteoporosis treatment also known as Skelid, which is already being launched.

So far there have been plenty of rumours, but no deal has actually been announced. If that announcement comes soon, it could put 1997 on course to be as eventful a year for the sector as 1996.



GERMANY • by Jenny Luesby

A failure of innovation

Producers are having to deal with ageing drugs and pressure for volume discounts

When Hoechst confounded its fans and critics last month by abandoning plans for a stock market listing of its pharmaceuticals arm, HMR, it brought into focus a dilemma facing all of Germany's drug makers.

The industry is increasingly having to deal with ageing drugs and pressure to offer volume discounts. Many German producers have lost ground in the process. The country supplies just 8.9 per cent of the world's 64 leading medicines, according to IMS International. This compares with 24.2 per cent for the UK and 34.5 per cent for the US.

This performance is set to get worse, unless German producers can pull off a strategic coup. The problem is that not one of the country's leading drugs companies can boast a first-rate research and development pipeline.

Schering's main areas – multiple sclerosis and contraceptives – are dogged by controversy. Bayer's pipeline would be adequate for a much smaller company. Hoechst and BASF are similarly short of new and innovative drugs.

All of these producers would like to upgrade their portfolios. Some have looked towards acquisitions as a first step. Hoechst pulled off the biggest such deal, within Germany, with the 1995 purchase of Marion Merrill Dow for $7.1bn. BASF has also dabbled, with the £850m purchase of the UK's Boots pharmaceuticals business.

These deals delivered wider marketing networks. But they did next to nothing for the German producers' research and development.

Another solution is the introduction of a sharper focus on drugs. For the mixed chemicals and pharmaceuticals producers, this path was blazed by ICI four years ago. The group was then suffering from a low-grade pipeline, exacerbated by two high-profile drug failures in late-stage clinical trials. It moved to prune its R&D effort radically, focusing much more tightly. It then split itself into two more specialised businesses. Today, its demerged life sciences operation, Zeneca, has one of the strongest R&D pipelines in the industry.

But the pressure on mixed companies to follow suit is not driven by R&D considerations, or even managerial issues. The incentive lies in the potential to release shareholder value. The separation of Zeneca ended the discounting of a premium pharmaceutical stock to take account of a raft of sluggish and difficult chemicals businesses. On this basis, Bayer argues that separation is unnecessary, a whim borne of shareholder fashion. And Bayer has long managed to achieve acceptance as a pharmaceuticals company while retaining a predominantly chemical and increasingly cyclical product portfolio.

BASF is similarly adamant that there would be no benefits in carving out its life science operations from the rest of the group. It says division would hinder the integrated production that is the group's particular forte.

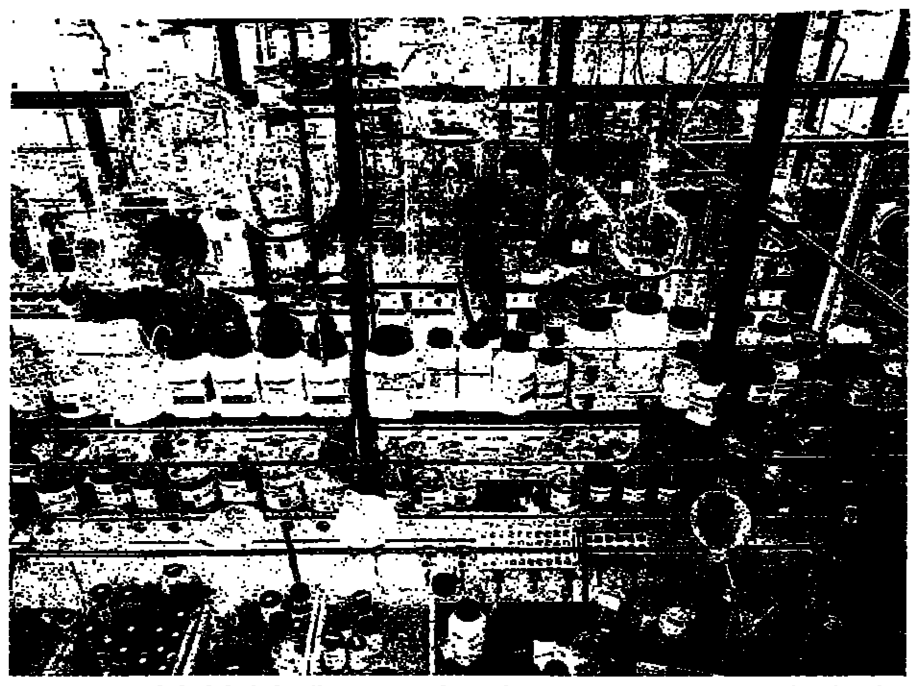
Hoechst, however, decided to engineer a split. Germany's tax laws made a simple demerger prohibitively expensive. But a separation of the drugs and chemicals businesses into stand-alone companies, owned by a single holding company, made possible the listing of effectively demerged entities.

The group has now opted for a simpler structure. In a deal with Swiss chemicals company Clariant late last year, it found a way of leaving specialty chemicals without triggering a tax nightmare. It has decided to offload the rest of its chemicals businesses in similarly clever ways.

The result will be a Hoechst group that is a life sciences group – Zeneca by another path. But the transformation will be slower than initially planned and this, crucially, will provide extra time to upgrade the group's mediocre pipeline.

In searching for new solutions to the R&D problem Hoechst is marching in time with its German competitors Bayer and BASF. All three companies are promising a much stronger pipeline in future, and acquisitions will still feature in this.

Bayer has flagged a stream of small bolt-on purchases on its drugs side. To judge by recent buys these will not bring in vanguard technology or pipeline hopes, but they will fill in gaps in the group's know-how and activities. BASF aims to concentrate on pharmaceutical acquisitions in Asia, and has already set off in this direction. And all three of the main German companies are chasing deals with promising biotech companies.



BASF laboratory in Ludwigshafen: the company aims to focus on pharmaceutical acquisitions in Asia

However, according to R&D managers at Boehringer Ingelheim, the world's largest private drugs company, success in securing biotech deals depends on speed and flexibility.

Boehringer Ingelheim, which had sales of DM6.43bn in 1995, is in a position to boast such insights. During the 1980s its R&D output ground to a halt, with just five new products launched in the decade to 1992.

It has set about transforming itself with a vengeance and has appointed an R&D steering committee. It has abandoned 22 of 37 fields of research, and pumped up its remaining projects. It has pulled off several hotly chased biotech alliances.

And with four new products launched last year, three due this year and four next year, the group's pipeline has been transformed: it will have 20 new products ready by 2002.

The group's German competitors are all promising similar R&D upgrades. But, says Professor Krebs, head of Boehringer Ingelheim's pharmaceuticals operation, mergers with other companies suffering from undisciplined R&D solves no problems.

Improving R&D output requires ruthlessness of purpose. On this basis, the credibility test for German wannabes will be evidence that they have left behind their ponderous ways to become newly tough and nimble.

SWITZERLAND • by William Hall

New leader emerges from shake-up

Adapting to a changing market is as important as finding new wonder drugs

Switzerland's pharmaceutical industry is going through its biggest shake-up since the merger of Ciba and Geigy more than two decades ago. A year ago the pecking order in terms of market capitalisation was Roche, Sandoz and Ciba. Following the merger of Ciba and Sandoz at the end of last year, the tables have been reversed and for the first time in decades Switzerland's pharmaceutical industry has a new standard bearer – Novartis.

Novartis, with a workforce of more than 100,000 and an annual research and development budget of more than SFr3bn (£1.3bn), is a giant in an industry of giants. It has spun off Ciba Specialty Chemicals to its shareholders and set its sights on becoming the world's leading life sciences company. It is number one in agribusiness and has a strong position in nutrition. But it is in pharmaceuticals, where the company describes itself as a "strong number two", that the success of the Novartis merger will be judged.

The reasons for the merger are summed up in Novartis's first annual report. The health care sector, once provider-oriented, is becoming increasingly payer- and consumer driven. "We face increased risks as stringent cost control measures in many national markets make the search for pharmaceutical innovation more expensive and its rewards less attractive," says Mr Alex Krauer, the former Ciba chairman, who now heads the combined group.

"Biotechnology is proving to be an important source for innovation, but unduly risk-centred politics make market entry of genetically improved products more difficult. In addition, a distinct consolidation process is changing the nature of competition." Ciba and Sandoz have responded to this challenge by combining their businesses just as Ciba and Geigy did in 1970.

Roche, which along with Ciba, Sandoz and Geigy has dominated the Swiss city of Basle for more than a century, faces the same set of challenges, as does Ares-Serono, a Geneva-based company, which is world leader in the treatment of infertility. With annual sales of just $800m and a workforce of 3,469, Ares-Serono, is now Switzerland's third biggest pharmaceutical company. The fact that both are successful companies which have not yet felt it necessary to bow to the same pressures that forced Ciba and Sandoz to merge is a reminder that Novartis has the most to prove.

It took a long time before the merger of Ciba and Geigy could be regarded as a success. Ciba was held back for years by internal rivalries. Combining two very different corporate cultures without losing business momentum will be a challenge for Mr Daniel Vasella, Novartis's 43-year-old chief executive, who was still working as a hospital doctor in Berne 10 years ago.

The speed with which Mr Vasella has risen to the top of Novartis worries some conservative critics. They point to the apparent difficulty Novartis had in filling the top slot in its important US pharmaceuticals operations as a sign that the group does not have the same sort of management in depth as some of its rivals. Then again, Novartis's willingness to draft in new executives at a senior level could be viewed as a confident gesture by a company that realises that a country of 7m people cannot hope to provide enough top class executives to run one of the world's biggest companies.

Roche, for example, has been even more aggressive in bringing in outsiders. Just over two years ago, it headhunted Franz Humer, 50, Glaxo's chief operating officer, to head its pharmaceutical division, the core of its business. Mr Humer has since been promoted to chief operating officer and stands a good chance of taking over from Mr Fritz Gerber, 68, who has headed the company since 1978. More recently, Roche has hired a Briton, Mr Jonathan Knowles, head of research at Glaxo Wellcome Europe, to join its executive committee as head of worldwide pharmaceutical research.

In the past these types of appointments would only be made by companies in trouble. However, Roche's compound growth in earnings of 25 per cent a year over the last decade, is one of the best in the industry and it owes a lot to Professor Jürgen Drews, 64, the outgoing head of research. He has helped refill the group's new product pipeline with a diverse range of products which means that there is no longer any danger that Roche will become as dependent again on one drug as it was with Valium in the 1970s.

Mr Peter Sjöstrand, a former chief financial officer of Astra, a Swedish pharmaceutical company, describes Roche as the "Rolls-Royce" of the industry which is poised to start "harvesting" the benefits of a new generation of exciting products ranging from Invirase, the new aids drug, to Xenical(anti-obesity), Posicor (an anti-hypertensive) and Tasmar (for use in Parkinson's disease).

Mr Sjöstrand may be slightly biased given that Pharma Vision, an investment fund he advises, is Roche's biggest non-family shareholder. Nevertheless, most independent analysts share his enthusiasm and see between a third and a half of Roche's drug sales over the next five years coming from new products. If Roche is going to use some of its SFr15bn cash pile, most analysts believe that it will be to buy a business that can help it market its drugs rather than expand it research base.

Switzerland's pharmaceutical companies have proved remarkably resilient over the past century in adapting to the changing market place. A hundred years ago their future hinged on manufacturing dyestuffs. Today, it depends on adapting the latest discoveries in genetic engineering without alienating an increasingly suspicious Swiss electorate. For 50 years, Ciba, Geigy and Sandoz co-operated closely in a business cartel. Today, they are united in one company. If Switzerland's pharmaceutical success story is to continue it will depend as much on its ability to anticipate the changes in the market place as in its ability to find new wonder drugs.

EUROPEAN MEDICINES EVALUATION AGENCY • by Daniel Green

Fast track to approval

The new regulator has become 'part of the scenery' within two years of operation

It is hard to imagine life without the European Medicines Evaluation Agency. Barely two years ago the London-based agency opened for the business of co-ordinating medical regulatory approvals across the European Union.

Now, as Mr Fernand Sauer, its executive director, says: "We are part of the scenery".

The EMEA was established as an experiment in medicines regulations. It was given the difficult task of living and working alongside – but in competition with – the national regulators.

The only products that were compelled to go through the EMEA were biotechnology medicines, a small minority of the drugs in the late stages of development.

For the bulk of new medicines, manufacturers had the ability to choose whether to go for national regulatory approval or to test the untried EMEA in an effort to get simultaneous approval across the EU.

The experiment has largely been a success. In its brief life the EMEA has reviewed scores of applications for drugs approval. It has recommended 44 of them be given marketing approval across the EU, of which 33 have received it from the European Commission. The remaining 11 are still being considered by the Commission.

Only six drugs out of the 80 submitted have been withdrawn by the companies that developed them – a move which is not unusual for national regulatory bodies to encourage.

Drugs that have been launched after EMEA recommendations include the new generation of Aids drugs that have been credited with a sharp reduction in demand for hospital beds by Aids patients. The approval for Norvir, made by Chicago's Abbott Laboratories, took just 69 days.

But it has not been and entirely smooth run. There have been tensions with national regulatory bodies and drugs companies have complained, privately, that the EMEA's record on speed and efficiency is not as good as the agency implies.

Mr Sauer is keen to say that the EMEA's reviews have all been carried out within its self-imposed 300-day limit, a short time compared with the review times of most regulators.

But pharmaceuticals company executives point out that the EMEA can "stop the clock" on the approvals so that the actual time between regulatory submission and a decision can be much longer. Biogen's multiple sclerosis treatment Avonex was officially recommended for approval in 216 days. But this excludes 307 days of stopped clock time.

Mr Sauer responds that the clock is stopped only when the EMEA requests further information from the company, and then almost always only for one month.

"Everything worked to plan in the first two years," he says, "And now we are turning into a routine what was a creative process."

The agency is branching out into new activities. It has been offering scientific advisory services to pharmaceuticals and biotechnology companies in the early stages of clinical trials. The aim is to reduce the number of questions the regulators ask after the drug has been submitted for approval. The EMEA has advised on 30 development programmes.

That service is free at the moment. Mr Sauer has drawn up plans to start charging as part of the aim of reducing its reliance on subsidies from the European Commission. But the EMEA has been winning its budget battles too, says Mr Sauer.

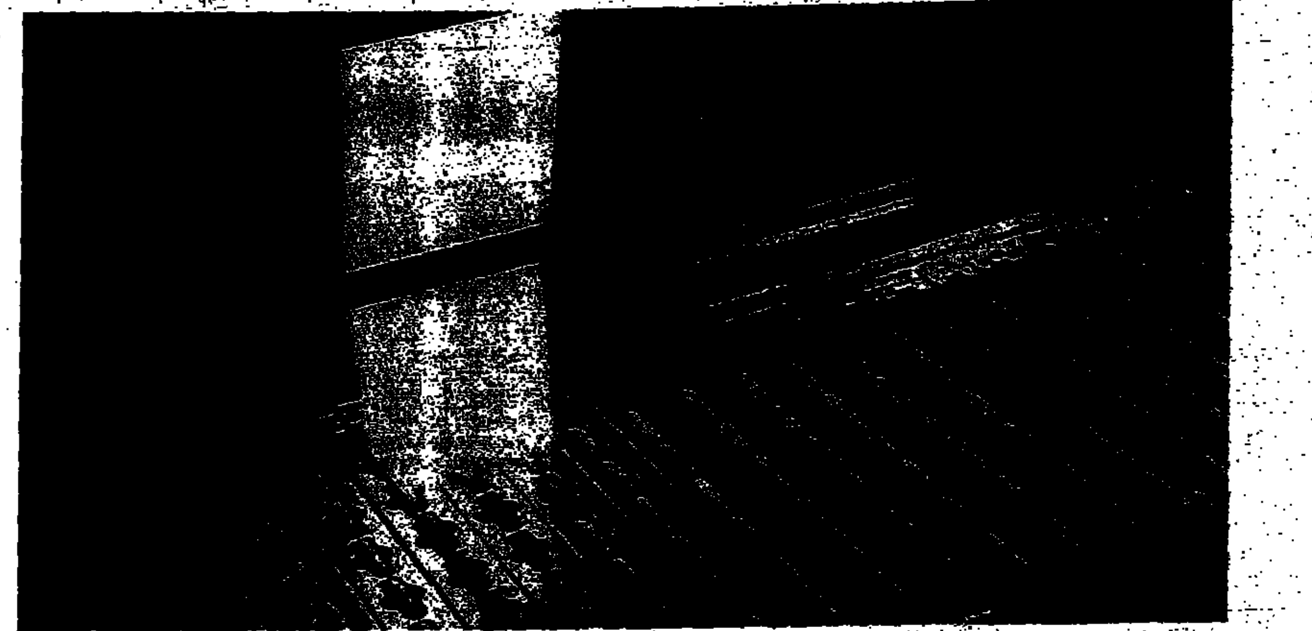
"Last year we got important European parliament budgetary support in the shape of an extra Ecu 2bn," he says. "So in 1997 there are Ecu 14m in subsidy matched by the same amount in fee income (from pharmaceuticals and biotechnology companies). The plan for 1998 is to freeze the subsidy while increasing the fee income to between 19m Ecus and 20m Ecus." Some of the extra revenue will come from services, such as the scientific advice, and some from a proposed company subscription system to replace the fees. Mr Sauer is adamant, however, that the agency should not become fully funded by the private sector.

"The BSE crisis has shown that we should not be paid 100 per cent by the industry we regulate," he says. The BSE issue also led to talks in Brussels over whether the EMEA should expand its remit to cover food, as is the case with the US Food and Drug Administration.

The answer, says Mr Sauer, was that it should not. The mechanisms of regulation are very different, not least because drug regulation happens before marketing while food regulation is about goods already on sale.

So it appears that the EMEA has succeeded in establishing itself as part of the medical regulatory framework for Europe but some of its possible fileds of influence have been circumscribed.

Much remains to be determined. For example, should its remit be extended beyond new drugs to reformulations of older drugs – such as slow-release tablets? Such questions should be answered before Mr Sauer's five-year contract expires in 1999.



Approval for the Aids drug Norvir, made by Chicago's Abbott Laboratories, took just 69 days following recommendation by EMEA *Picture AP*

MARKETING • by Richard Platford

Cultivating customer satisfaction

Governments and researchers benefit from over-the-counter sales, but do customers?

The over-the-counter (OTC) market is growing fast. This is good both for the government healthcare budgets and for the commercial interests of the research based pharmaceutical majors. But is it good for the quality of healthcare?

In 1995 the OTC market was $16bn in the US and $15.8bn in Europe. The world market is expected to rise to about $65bn by 2000. This rapid growth is being driven primarily by the increase in the number of prescription drugs being switched to OTC status. In the US 63 active ingredients and dosage strengths have been switched in 20 years.

The increase in the frequency of switches is being driven by two reinforcing sets of interests – those of governments to contain costs and those of the pharmaceutical majors to defend their products as they come off patent.

Governments, managed care organisations and insurers, are looking for publicly acceptable ways to address the politically-charged desire in all countries to contain escalating healthcare costs.

A prescription-to-OTC switch shifts the cost of the drug from the government or employer-sponsored healthcare insurance plan to a regime of self-medication, usually for a less costly product paid for by the consumer. This shift not only transfers the prescription drug cost in a uncontentious way, it also saves the health insurers the cost of the physician's visit and administration.

For pharmaceutical companies the OTC market offers an opportunity to extend the commercial lives of drugs for which patents are expiring. Recent experience has shown falls of as much as 90 per cent in sales value within months, if not weeks, of the patent expiry of a blockbuster drug.

Not surprisingly then, rather than fight against generic competition to maintain a modest market share at significantly lower prices in the prescription market, the pharmaceutical company often chooses to apply for approval to switch to OTC status and thus to operate in a market where, although it still has competition – from own-brand OTC rather than generics – it can fight by investing in brand-equity.

This is a particularly effective strategy for the prescription market leaders in a drug category where they can often adopt an advertising tag line of the nature of "...the product most often prescribed by doctors".

Tagamet, SmithKline Beecham's indigestion blockbuster, was an excellent example of this. The product was such a large contributor to SB's revenue that some form of defence against generic competition was essential.

By switching to OTC status in June 1995 Tagamet was able to transfer to the new market the value which the consumer associated with the brand name that had become such a familiar product on the doctor's prescription.

In a consumer market the product is being protected by brand-equity rather than by patents. Once established as a brands OTC products can have a lifespan of many decades.

The flurry of prescription-to-OTC switches has also led to a narrowing of the distinction between prescription and OTC products over the past decade.

The need to give the drug a sense of branding in anticipation of the switch has forced the manufacturers to seek to increase the awareness of patients of the products that are being prescribed for them in the period leading up to the switch.

On the one hand this allows the consumer to be more informed and to participate with the physician in the selection of therapy.

On the other it gives the manufacturer the opportunity to invest in brand-equity.

The degree to which this strategy is being adopted is reflected in the level of direct-to-patient advertising in the US. More money is being spent on promoting prescription drugs to patients than on the traditional promoting of prescription drugs to the physician.

In 1995 consumer print promotion amounted to $356m while the corresponding promotion in medical journals was $346m.

Government policies and the commercial strategies of pharmaceutical companies are promoting the OTC marketplace. This might lead to a reduction in the national healthcare budget, but thre is a question over the impact this is having on the quality of health. The OTC user is taking on the responsibility for diagnosing the illness, selecting from the many OTC products, assessing the proper dosage, ensuring compliance and deciding when to end treatment.

The OTC user is being asked to recognise when a pre-existing condition advocates against the use of a product – conditions such as asthma, allergies, diabetes and pregnancy.

This is particularly relevant for the more potent drugs that have recently been switched.

Two other factors increase these concerns. In some markets, such as the US, potent OTC products can find themselves readily available among benign food products in supermarkets, being bought by consumers who have become almost too familiar with the product as a result of the pre-switch direct-to-patient advertising which can itself engender complacency.

In the UK the government has set out to address this risk by applying the "pharmacy only" category, supported by strict regulation about the supervision – and hopefully counselling – that needs to be given by the pharmacist.

Government policy-makers and regulators will continue to promote the OTC market as an effective response to the demands of healthcare cost containment.

They need to weigh the budget benefits that this brings against the risks implicit in this relatively unsupervised market.

Perhaps the US needs to learn from the UK about the "pharmacy only" approach but Europe must not be allowed to overplay the risks that customers may take inappropriate drugs as a justification for maintaining the OTC monopoly still existing in most countries.

The author is a partner at the Coopers & Lybrand Pharmaceutical Practice

RESEARCH AND DEVELOPMENT • by Clive Cookson

Industry is aiming for harder targets

Focus is shifting to innovative drugs but 'corporate culture' also needs to change

The global pharmaceuticals industry has increased spending on research and development (R&D) fourfold over the past 10 years. Yet new drugs have appeared at a steadily decreasing rate during the same period; in 1996 only 37 new molecular entities (NMEs) were launched – the lowest total for several decades. Meanwhile, the average time taken to develop a drug, from synthesising the molecule to first marketing, has remained fairly constant at 11 – 12 years.

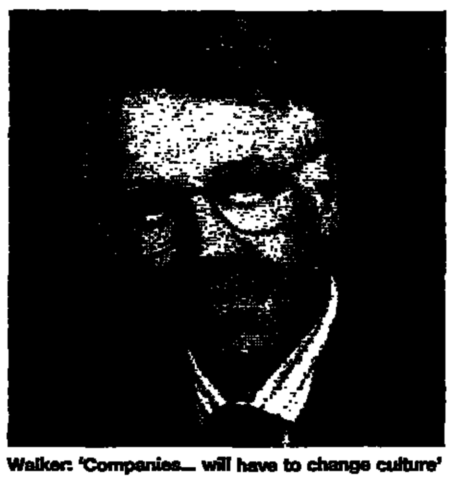
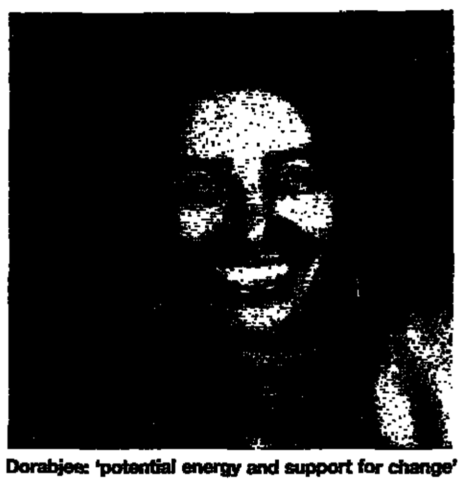
On the face of it, therefore, the industry has failed abysmally in its intention – declared publicly by many drug company leaders in recent years – to increase the productivity of R&D and cut the time taken to bring drugs to market.

However, there are mitigating factors, which help to explain this apparent failure. One is that the industry is far more concerned today than it was 10 years ago to launch genuinely innovative drugs. "Me-too" drugs – follow-ups to successful products already on the market – made up a higher proportion of the 60 new molecules launched in 1987 than the 37 launched in 1996.

Innovative drugs, designed to treat conditions for which there is no existing treatment, generally take longer to develop than me-toos. At the same time, the industry today is aiming for harder targets – for example degenerative brain diseases such as Alzheimer's and auto-immune diseases such as arthritis. Clinical trials for drugs in these fields take longer to perform than for the cardiovascular and gastro-intestinal drugs that were so successful in the 1980s.

Even so, whatever excuses the industry makes for itself, it is clear that companies need to do more to raise the efficiency of their R&D operations – a need accepted by senior pharmaceutical executives.

One approach involves benchmarking – comparing your company's performance on a set of relevant tasks with that of your competitors. Benchmarking enables a company to identify weak points in its procedures and improve them.

Walker: 'Companies... will have to change culture' Dorabjee: 'potential energy and support for change'

Although management consultants have carried out benchmarking of pharmaceutical R&D for several years, companies have only recently got together to take part in a benchmarking programme across the industry, under the auspices of the Centre for Medicines Research International.

The CMR, which is based in Carshalton, Surrey, started its R&D benchmarking programme at the end of 1995 with a pilot study involving 28 companies. Almost 40 companies based in the US, Europe and Japan (including all the large pharmaceutical groups) took part in the first full-scale data collection exercise, carried out during 1996.

There will be an annual "macro" study providing current cycle times for the complete drug development process, using important milestones from synthesis to international launch, and "micro" studies that focus on specific details.

The point is to enable participants to define performance targets and provide a focus for process improvement initiatives, which will lead to reduced development times and a higher R&D success rate. Although the programme will not be fully established for three more years, Professor Stuart Walker, CMR director, says: "I believe we have already changed company practice."

The pilot study, which looked at cardiovascular and nervous system drugs, revealed large variations in the time taken to pass each milestone. For example the "discovery" stage from first synthesis to the first human test ranged from less than 18 months in two cases to more than seven years in three others. The time taken to complete the preliminary phase of clinical trials varied from one year up to nearly five years.

"We are bringing the companies together twice a year to exchange and discuss the data," Prof Walker says. "My dream is that companies will see that their competitive advantage comes from the products they develop, rather than from the way they practice R&D."

One of the more important – and elusive – factors affecting R&D efficiency is "corporate culture". This is defined informally as "the way we do things around here" and more formally by CMR as "shared attitudes, values, beliefs and assumptions of people in an organisation".

Prof Walker belives that "if companies are to improve the drug development process they will have to change corporate culture."

CMR carried out a pilot study of the effects of corporate culture on R&D in five (unnamed) research-based companies in the UK last year. Overall, it showed similar cultural profiles in all five companies but two of them "were perceived to be more similar and to have more creative climates" than the other three.

Prof Walker says an international comparison would reveal larger differences between companies. "I believe the culture of the country has a major influence. It may be that the UK culture subsumed differences between the companies in our study," he says.

The CMR study did show substantial differences between departments within each company. It also showed that the culture everywhere fell well short of what was seen as ideal for efficient R&D. For example, participants did not have enough time to generate ideas and had too low a propensity for taking risks.

Most encouragingly, reported Ms Shaida Dorabjee of CMR who carried out the study, "there is potential energy and support for change. This can be immensely valuable in any change management process."

BIOTECH PARTNERS • by Daniel Green

Symbiosis puts down some roots

The industry has had to rethink the way it undertakes research and development

Biotechnology and the pharmaceuticals industry exist in an uneasy harmony. The promise of new scientific advances in biology – and of companies that have been created to exploit them – are undeniable. But the drugs industry has not got where it today is by relying on outsiders.

To accommodate the recent success of biotech companies the drugs industry has had to rethink the way it does research and development.

Although pharmaceuticals is one of the world's most profitable industries it is also one of the most isolated. Its customers are individual doctors and the companies and governments that pay medical bills. Its suppliers provide only raw materials and capital equipment. Historically, the brains in research, development, sales and marketing have been developed in-house.

The pride drug companies take in home-grown skills has probably acted as a deterrent to outsourcing of any of these components.

Biotech companies and the technologies they use have been around since the 1970s. But it has been only in the past five years – when the drug industry's profitability came under threat from the cost-control measures of its customers – that working with biotech companies has become the norm.

Defining what it means to work with biotech is not easy, since there are two distinct definitions of "biotechnology". One refers to the science of manipulating living materials at a molecular level. This includes altering the genes of, say, bacteria so that they produce insulin. The second definition refers to the kinds of companies that have appeared to exploit this and other technologies.

Biotech companies typically start around a single scientific idea. They spend a decade or so losing money before a product goes on sale. Sometimes the idea fails to generate a product and the company fails.

Biotech companies do not need to use the science of biotechnology. Their aim is to invent medicines, whether by chemistry or biology. Biotech companies are, in effect, pharmaceuticals companies without development, sales or marketing.

Biotech companies get their money from a sequence of investors from business angels and venture capitalists to the stock market. In recent years pharmaceuticals companies have become an important source of their capital. According to figures from the US specialist publication, Bioworld Financial Watch, they have probably become the single most valuable source of capital.

The typical deal has two components: cash and equity. The cash part consists of "milestone" payments that are triggered by a drug's progress through the stages of clinical trials and regulatory approval. It may also include covering all or part of the cost of clinical trials and other issues such as skills sharing. Royalty payments tend to be between 10 per cent and 25 per cent. Equity stakes taken by the pharmaceuticals partner are usually less than 10 per cent.

For biotech companies to justify these investments, they must demonstrate that they are better at inventing drugs than the drugs industry's own research operations. There is a growing body of evidence to suggest that this is the case.

In 1996 "the number of biotech product approvals skyrocketed", according to Biotech 97, an industry annual report by Ernst and Young.

The new products included Avonex, a multiple sclerosis drug from Biogen, Vistide, for a viral infection associated with Aids, from Gilead, and Redux, the obesity drug from Interneuron.

The success of these companies and products triggered a rapid rise in biotechnology company share prices in the first half of last year and again in the first quarter of this year.

Yet rising share prices have not deterred pharmaceuticals companies from forging alliances with biotech companies, even if the deals are about twice the price they were 18 months ago. According to Bioworld Financial Watch biotechnology companies raised at least $3bn from pharmaceuticals companies last year. The figure is less than the $4.5bn raised from public equity markets but is a serious underestimate. It is the total of deals of which the value has been publicised. This accounts for fewer than half the deals that have been announced but whose details are private. In addition, this figure covers only the payment to be made ahead of commercialisation. If the drug gets that far, then royalty or profit-sharing payments would be added.

Most of these deals have involved US biotech companies and the larger pharmaceuticals companies from Europe and the US. Now the trend may be moving towards mid-sized companies and biotech start-ups in Europe. Companies such as Berlin's Schering are considering ways they can step up the biotech investments in Germany. Several companies, including Johnson & Johnson of the US and Novartis of Switzerland, have established biotechnology venture capital funds.

These developments look encouraging for further growth in biotechnology, not least because so few deals with pharmaceuticals companies are cancelled. Bioworld counts 21 deals terminated last year – up from 19 in 1995 – compared with 180 forged in the same year – up from 165.

Cars recovery aids advance at Volvo

By Greg McIvor in Gothenburg

A sharp recovery in Volvo's car operations helped the Swedish group to almost double first-quarter operating profits in its automotive businesses, in spite of continued weakness in its trucks division.

Group pre-tax profits rose from SKr1.9bn to SKr5.2bn ($677.9m), although SKr3bn of the improvement came from an exceptional gain from the disposal of non-core assets. Earnings per share rose from SKr3.10 to SKr9.70.

The results coincided with the inauguration of Mr Leif Johansson as chief executive in place of Mr Sören Gyll, but Volvo's most-traded B shares fell SKr1 to close at SKr192.50.

Operating earnings from motor activities rose from SKr970m to SKr1.9bn. The increase was driven by a reversal of fortunes at the cars unit, which swung from a SKr191m loss to a SKr1.1bn surplus, in spite of a 10 per cent drop in US sales. It was the division's best showing in the 1990s and was attributed primarily to improving sales of Volvo's new Dutch-built S40/V40 mid-sized saloon.

Sales of the S40/V40 are back on target after a series of problems last year linked to its launch. First-quarter sales of the model rose 70 per cent to 25,350 units, and Volvo said it expected to sell up to 110,000 units this year.

Turnover across the cars division increased from SKr19.5bn to SKr23.1bn as the number of cars invoiced rose from 85,200 to 94,500. The operating margin rose to 4.6 per cent, reflecting higher volumes and, to a lesser extent, foreign exchange movements.

Group sales rose from SKr39.1bn to SKr41.5bn.

Trucks, which until last year had underpinned Volvo's profitability since the late 1980s, was the only division not to increase profits. Operating earnings slid from SKr781m to SKr304m amid continuing losses at Volvo's North American subsidiary and a sharp erosion of European sales.

Mr Karl Erling-Trogen, head of the trucks division, said losses were being reduced at Volvo GM Heavy Truck, its North American joint venture with General Motors in which the US group has a 13 per cent stake. He had predicted break-even by mid-year, after five quarters of losses, but yesterday admitted progress to restore profits had been slower than expected.

In Europe, Volvo's trucks sales slowed by 22 per cent, reflecting softer demand and increased pricing pressure, which damped margins.

Nevertheless, Volvo maintained its European market share above 16 per cent and said profits remained "good".

Club Med set to sell cruise ship for $45m

By Andrew Jack

Club Méditerranée, the French leisure group, yesterday announced the sale of one of its two cruise ships, in a significant step towards refocusing its business.

Club Med 1, which is jointly owned by Club Med and Services et Transports, is to be sold for $45m to Carnival Cruise Line, of the US, in a deal which is scheduled to be completed in March 1998.

The action comes at a time of heavy restructuring in the group. In February, Mr Philippe Bourguignon, the former head of the Euro Disney theme park, was named new chairman, as the company unveiled 1995-96 provisions of FFr820m ($143.8m).

Speaking at the annual general meeting yesterday, Mr Bourguignon said there were no plans to sell Club Med 2, its second liner, which would now provide Mediterranean and Caribbean cruises previously operated by Club Med 1.

He said his plan for the business entailed more focused marketing and changes to pricing policies, including a reduction in the "spiral of eternal promotions".

He argued that most of the changes in his new strategy would not be noticeable at least until the second half of next year.

The cruise ship disposal follows Club Med's recent sale of its 23 per cent stake in Valtur, an Italian operator of holiday villages. It also plans to close a number of its own villages.

Shareholders at the AGM approved 40 resolutions, including the creation of a two-tier board with Mr Bourguignon in charge of a four-person executive committee, and a supervisory board headed by Mr Serge Trigano, the former chairman and son of one of the founders of Club Med.

The board came under criticism from several shareholders over the lack of disclosure of executive remuneration and stock options, as well as the payments and shareholdings of non-executive directors.

Philippe Bourguignon: no plans to sell Club Med 2, which will inherit sister ship's routes AP

Lower charges help Accor

By Andrew Jack in Paris

Lower financial charges and improved contributions from its partly-owned subsidiaries helped lift net income at Accor, the French hotels group, 15 per cent to FFr1.1bn ($191m) for 1996.

Sales at the group, which owns the Ibis, Mercure, Novotel, Sofitel and Motel 6 chains, fell 10 per cent over 1995, and operating profit declined 13 per cent to FFr2.6bn.

However, reductions in interest rates and the overall level of the group's debt, to FFr17.5bn, meant that financial charges fell from FFr1.6bn to FFr1.3bn. There was also a strong increase from investments – including Europcar, the car rental business – from FFr2m to FFr199m.

The group also announced yesterday its intention to take full control of its 77 per cent owned subsidiary Sphere International, offering one of its own shares for every seven in Sphere.

The results were the first following the appointment last year of Mr Jean-Marc Espalioux, the chairman appointed at the time of the creation of a supervisory board headed by the former joint heads of the company, Mr Paul Dubrule and Mr Gérard Pélisson.

He said a restructuring plan including cost-cutting and tighter co-operation across the group would be unveiled in June, and a FFr500m technological investment programme over the coming 18 months. He said there would be greater use of the Accor brand across the group.

Mr Espalioux responded to criticism that the group's 1996 results were among the last of the large quoted French companies to be reported, stressing the delays triggered by the restructuring of its board and the fact that it was a decentralised company with many subsidiaries.

Générale des Eaux sale

By David Owen in Paris

Générale des Eaux, the French utilities, construction and communications group, is disposing of more property assets in deals valued at FFr4.2bn ($727m).

The company has agreed to sell two towers in La Défense, the business district west of Paris, to SITQ Immobilier, a subsidiary of the Caisse de Dépôt et Placement du Québec, the powerful Canadian public-sector pension fund manager.

The two companies are also combining to set up a new entity – owned 80 per cent by SITQ and 20 per cent by Générale des Eaux – that will acquire a further three towers owned by the French group.

The first transaction, involving the Esplanade and Pacific towers which have a combined floor area of more than 98,000 sq m, is worth FFr2.5bn; the second, involving a floor area of 59,500 sq m, at about FFr1.7bn. Générale des Eaux said the deals would result in a "slight" book loss.

In January, the French group – which has embarked on a root-and-branch restructuring of its property, building and public works operations – said it would sell the 77,000 sq m Descartes tower in La Défense to Blackstone Real Estate Advisors, a subsidiary of Blackstone Group, a US private investment bank. It said Blackstone would buy the Esplanade and Pacific towers if it failed to secure a better offer.

That the company has now apparently done this will lead some observers to see yesterday's deals as further evidence of an improvement in the Paris commercial property market.

As with many French groups, property has been a source of problems for Générale des Eaux in recent years, and was the principal reason for 1995 losses of FFr3.7bn.

EUROPEAN NEWS DIGEST

Andersen shows strong growth

Interim results for Andersen Worldwide, the umbrella organisation for Andersen Consulting and Arthur Andersen, show strong growth in revenues in the six months to February 1997, up 18.8 per cent to $5.6bn. For the year to August 1996, the two business units showed combined growth of 16 per cent, to $9.4bn – far outstripping rivals in management and IT consultancy and more traditional accountancy and audit services.

The interim results – unpublished but circulated internally – come ahead of next week's meeting in Paris at which the organisation's 2,700 partners will discuss future development. A split between the two units is possible, although reform of their relationship is more likely in the light of such rapid growth. Arthur Andersen saw revenues for the six months of $2.6bn, up 11.7 per cent on the a year-ago period. Andersen Consulting saw revenues rise to $2.96bn, up 25.6 per cent.

Jim Kelly, Accountancy Correspondent

Autoliv names chiefs

Autoliv, the Swedish automotive air-bag maker, has emerged with a strong management hold on the group formed through its merger with businesses of Morton International, of the US. Mr Gunnar Bark, current chairman of Autoliv, has agreed to be chief executive, while Mr Fred J. Musone, president of Morton's Automotive Safety Products business, will be chief operating officer.

Mr Paul Charlety, chief executive at Autoliv, will be given a senior executive post. Mr Bark, Autoliv chief executive for 14 years until taking a non-executive role last year, has been the driving force behind the merger, which creates the world's biggest air bags and safety belts group, with combined sales of $3.2bn. Mr Bark will oversee European operations, while Mr Musone will have responsibility for the US side. Today's special meeting of Morton shareholders to approve the merger will also vote on the planned spin-off of Morton's chemicals and salt businesses. *Greg McIvor, Gothenburg*

Elan ahead 30%

Elan Corporation, the Irish-based international pharmaceutical company, achieved a 30 per cent increase in pre-tax profits to $37.6m for the first quarter, which included the first full contribution from Athena Neurosciences, the California-based company acquired last year. The company, which has relied on royalties and research income on drug delivery systems to improve and reformulate existing compounds, achieved a 29 per cent rise in direct drug sales. This resulted in better margins, with operating income up 35 per cent, to $31.5m, on 1996.

Earnings per share were flat at 36 cents compared with 35 cents last year, reflecting the dilution resulting from the increased shares from the Athena merger. Analysts are forecasting full-year earnings of $1.55. This would put Elan on a p/e of around 20 – still at a discount to similar drug companies such as Alza. *John Murray Brown, Belfast*

FT/S&P World Index changes

The committee which oversees the FT/S&P World Index is considering altering the timing of quarterly constituent changes to avoid periods when markets are less liquid, such as Christmas and Easter. Stock changes are usually implemented at the end of each quarter. Following a committee meeting in March, changes were made at the start of this month in the constituent lists for Brazil, Hong Kong and Japan.

Details available from Steven Vale at FTSE International in London (+44 171 448 1810), or at website *http://www.ftse.com*

FINANCIAL TIMES
COMPANIES & MARKETS
©THE FINANCIAL TIMES LIMITED 1997 Thursday April 24 1997 Week 17

IN BRIEF

Saudi prince links with burger chain

Prince Alwaleed Bin Talal Bin Abdulaziz Al Saud, the Saudi investor, has joined forces with the Planet Hollywood themed restaurant chain which reported a threefold surge in first-quarter profits. The group's share price rose on news of the earnings and the prince's plans to develop up to 34 restaurants. Page 21

Siemens shakes off weak demand
Buoyant overseas sales helped Siemens, the German electrical group, shake off weak domestic demand to post a double-digit rise in orders in the first half of its financial year. Page 19

Molins discovers irregularities
UK engineering company Molins shocked the City of London with news that it had uncovered accounting irregularities at its US corrugated board business. Page 22

Hilton shares jump 4% on figures
Shares in Hilton Hotels, the US company bidding for the ITT hotel and casino group, rose 4 per cent after the company reported an unexpectedly big increase in net profits. Page 21

Bre-X says Busang does contain gold
Bre-X Minerals shares rose sharply after the Calgary-based exploration company said it had found further evidence of gold at the Busang property in Indonesia. Page 26

Quaker Oats to replace chairman
Quaker Oats, the US cereal company, is to replace its chairman and carry out a restructuring as part of its planned recovery from the disastrous acquisition of Snapple. Page 21

Stet wins Mobilkom Austria stake
Stet, the Italian telecommunications group, won a stake in Mobilkom Austria, the cellular telephone arm of the Austrian post and telecommunications monopoly PTA. Page 19

Club Med set to sell cruise ship
Club Méditerranée, the French leisure group, announced the sale of one of its two cruise ships, in a significant step towards refocusing its business. Page 18

Companies in this issue

Market Statistics http://www.FT.com

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
DLW	145	+	8
Linde	1183	+	48
Mannesmann	664.5	+	13.5
Munich Reinsurance	4065	+	175
Veba	770	+	13.2
Wella	1030	+	75
Falls			
Accor	893	-	35
Michelin B	331.1	-	8.5
Paribas A	367	-	10.4
Taittinger	2087	-	97
NEW YORK ($)			
Rises			
Aames Fin	13	+	1⅜
Delta Fin	14⅞	+	1⅛
Pharm Upjohn	30⅞	+	4⅜
Saks	20⅛	+	8⅞
Falls			
Chemdex	5	-	[illegible]
Vesta	47⅛	-	17⅝
LONDON (Pence)			
Rises			
Forminster	126½	+	38
Umeco	297	+	38½
Falls			
Eurodis Elec	132½	-	37
Molins	845	-	97½
Scotdens	250	-	70
Wembley Hldgs	39½	-	15
TORONTO (C$)			
Rises			
Cognos Inc	34.75	+	3.05
Bioexcopis Can	7.2	+	0.8
Bre-X Minls	2.87	+	0.47
Maax Inc	10.65	+	0.85
Softpoint	3.00	+	0.45
Falls			
Datasaver	7.0	-	0.5
PARIS (FFr)			
Rises			
Accor	893	+	35
Michelin B	331.1	+	8.5
Paribas A	367	+	10.4
Taittinger	2087	+	97
Falls			
AGF	183.8	-	8.9
Club Med	457	-	16
TOKYO (Yen)			
Rises			
Aoyama Trading	3200	+	170
Chichibu Onoda	415	+	24
Dai Nippon Prtg	375	+	36
Tokico	363	+	32
Toshoku	432	+	26
Falls			
Stockton	591	-	39
HONG KONG (HK$)			
Rises			
China Motor	86	+	2
HSBC Hld (S)	189.5	+	2.5
HK Telecom	13.4	+	0.3
Realty Dev A	29.5	+	0.8
Falls			
Cross-Har Hldg	16.7	-	0.3
BANGKOK (Baht)			
Rises			
Intl Eng	57.5	+	4.5
Rasomn	22.5	+	1.75
Falls			
Imperial Hotel	22.75	-	2.25
PAE	32.25	-	3.5
Unique Gas	53.0	-	5.5
Univentures	27.25	-	3.00

New York and Toronto prices at 12:30.

Hewlett-Packard to buy VeriFone

$1.2bn deal will boost commerce on Internet

By Louise Kehoe in San Francisco

Hewlett-Packard is to buy VeriFone, the leading supplier of credit card processing systems, in a $1.2bn stock deal.

The acquisition will "sharply accelerate the evolution and acceptance of electronic commerce" on the Internet, the companies said. "This is the optimal way to bring our dreams of widespread electronic commerce on the Internet to reality," said Mr Hatim Tyabji, VeriFone chairman and chief executive.

Market analysts responded positively to the acquisition.

"This is a good fit with VeriFone's electronic commerce strategy," said Tucker Anderson, chief investment strategist at Cumberland Associates, an investment group.

HP, the second largest US computer company with 1996 revenues of $38.4bn, has been in the forefront of developing electronic commerce systems for home banking, retailing and business-to-business transactions. VeriFone pioneered secure systems for credit card payments over the Internet.

The acquisition is the largest ever by HP and reflects an increasingly aggressive effort to bolster its role in emerging growth markets. Credit card payments on the Internet are projected to reach $95bn in the US alone by 2000, according to International Data Corporation, a market research group.

The decision to acquire VeriFone grew out of a long-standing relationship between the companies, said Mr Richard Belluzzo, HP executive vice-president. HP and VeriFone have worked together on several Internet projects, including providing software and computer systems to Citibank for a trial of "smartcard" cash cards.

HP expects VeriFone's technologies with its own to enable widespread business-to-business commerce on the Internet as well as consumer applications. The ability to move money securely over the Internet is central to HP's "extended enterprise" strategy to enable businesses to create Internet links with customers, suppliers and distributors.

VeriFone, based in Redwood City, California, near HP's Silicon Valley headquarters, had net revenue of $472m in 1996. The company holds about a 60 per cent share of the world market for automatic credit card processing systems used by merchants and retailers.

HP said it would operate VeriFone as an independent business unit. Under the deal, VeriFone shareholders will receive one share of HP stock for each share of VeriFone.

VeriFone's share price rose sharply in heavy trading. At midsession the shares were quoted at $47⅞, up 59 per cent from Tuesday's close of $30⅛. HP was down $⅝ at $49⅞.

Philips back on track after shedding Grundig

By Gordon Cramb in Eindhoven

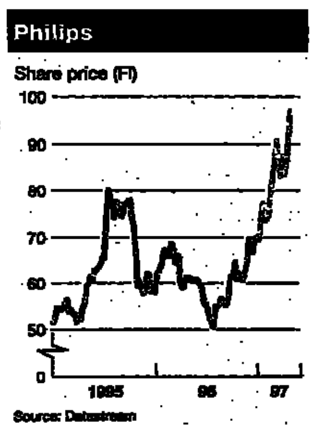
Philips, the Dutch electronics group, pleased investors yesterday as it reported its first quarterly rise in profits since the end of 1995.

The company said the "results provide us with the confidence that we are on track". Net income from normal activities rose 22 per cent to Fl460m ($237m).

The results were at the top end of analysts' expectations and the company's shares rose 6.5 per cent.

It was the first quarterly upturn since the end of 1995, when Philips lurched from record annual profits of Fl2.52bn to attributable losses last year of Fl590m.

The main factor in the latest turnround was that Philips' accounts ceased to include those of Grundig, the 31.6 per cent-owned German producer of television sets and other audio-visual equipment. The group cut Grundig adrift in January, withdrawing management support and saying it would no longer cover its losses.



The move was one of a number of measures undertaken by Mr Cor Boonstra to restore profitability since he became Philips' president last October. Peripheral businesses, ranging from home entertainment stores to a printed circuit board maker, have been closed or put up for sale, while the group is moving much of its western European production to lower-cost countries.

Mr Dudley Eustace, Philips' vice-chairman, said negotiations with Grundig family shareholders on unwinding its potentially burdensome remaining commitments were "going a little more slowly than I would have liked". He hoped these could be resolved in the current quarter.

"Western Europe continues to be a very difficult market" for Philips because of pressure on product prices, Mr Eustace warned. Sales growth slowed in Asia-Pacific, and profits fell. The company again made no money in North America.

Total sales rose 3 per cent to Fl16.14bn, while operating earnings were 21 per cent higher at Fl836m, with the largest share coming from components and semi-conductors. Orders were good but "it is still tough out there", Mr Eustace said.

Consumer products swung back to a Fl206m profit from a Fl52m loss, although sales shrank 6 per cent to Fl4.81bn. The only unit still in the red was professional products and systems, with a Fl54m deficit.

In Amsterdam, Philips shares touched Fl100 for the first time before closing at Fl97, up Fl5.90. They have risen 57 per cent since Mr Boonstra took over.

Lex, Page 16

Success story: Ralph Fiennes and Kristin Scott Thomas, stars of The English Patient, which has buoyed Disney profits

Disney growth beats expectations

Revenues boosted by box office takings from Oscar-winning film

By Christopher Parkes in Los Angeles

Income growth at Walt Disney regained its momentum in the second quarter, beating forecasts of 45 cents a share with a 63 per cent rise to 49 cents – from 30 cents last time – on revenues up 10 per cent at $5.5bn.

Mr Michael Eisner, chairman, singled out the group's film-related and theme park divisions as principal contributors to the advance. "I am extremely pleased with Disney's outstanding results [which] included impressive box office results from the Academy Award-winning *The English Patient* and continued growth in worldwide merchandise licensing," he said.

He reported strong growth in subscriptions and advertising revenues at ESPN, its international television sports network.

Earnings showed a better-than-expected recovery from the same period last year when the results were dented by a heavy write-off against scrapped film development projects.

Since then the group has announced a reduction of up to half in its annual output of feature films.

The broadcasting business, based on the troubled ABC network acquired in February last year with the takeover of Capital Cities/ABC, reported a 9 per cent revenue increase with sales of $1.5bn and operating income 18 per cent higher at $238m.

The results were helped by cuts in programme amortisation and acquisition costs, partly offset by lower ratings for the ABC network, and improved results from cable, including ESPN and the Disney Channel.

Star performer was the creative content division, embracing films, merchandise and retailing, where operating income surged 56 per cent to $390m on revenues up 9 per cent at $2.8bn.

Feature films *The English Patient*, released by Disney's Miramax company, *Ransom* and *101 Dalmatians* contributed to the result, along with international home video releases of *Toy Story* and *The Hunchback of Notre Dame*.

Operating income at the theme parks, bolstered by a 25th anniversary promotion for Walt Disney World in Florida, rose 17 per cent in the period to the end of March, while revenues increased 14 per cent to $1.2bn.

The results, presented on a pro forma basis to remove distortions caused by the Capital Cities purchase, brought net income for the first half to $1bn. Operating income for the six months was 24 per cent higher at $2.3bn and earnings per share improved 32 per cent to $1.46.

Nikko to launch accounts system acceptable in US

By Gillian Tett in Tokyo

Nikko Securities, one of Japan's largest securities companies, is to introduce an internationally compatible system for presenting its accounts, in an attempt to boost investor confidence.

Nikko intends to start producing US-compatible accounts this fiscal year, following a similar move by Nomura – Japan's largest securities house.

The move reflects growing attempts by Japan's securities industry to introduce more disclosure into their reporting methods. Other securities companies are expecting to follow suit as Japan deregulates its financial markets as part of its "Big Bang" project.

The changes in accounting methods are already having an impact on the way in which the securities companies present their results.

Japan's four largest companies will present their results on three different days this year, starting with today's results from Nomura.

This is a departure from the traditional "convoy system" when Japan's financial institutions reported on the same day. Nikko – which reports its 1996 results tomorrow – will introduce the new accounting method gradually over the next fiscal year and provide parallel results, catering for both the Japanese and US systems.

Coopers and Lybrand, in association with a local Japanese accounting group, is expected to oversee them.

The change means that Nikko will release quarterly results rather than providing estimates, as Japanese companies have traditionally done.

Some banking analysts suggested yesterday that this may reduce volatility in its share price.

● Meanwhile Moody's, the US credit rating agency, said yesterday that it was considering downgrading Yamaichi, Japan's fourth largest securities group, from its current Baa3 rating.

Moody's blamed Yamaichi's declining market share and and negative earnings prospects, as well as "increasing competitive challenges by domestic and foreign firms" for the move.

Nomura loses further business, Page 20

Eurotunnel banks deal may face resistance

By Ross Tieman in London and Andrew Jack in Paris

A tense battle is shaping up at Eurotunnel after shareholder activist leaders in both France and the UK signalled they would be seeking proxy votes from investors with a view to blocking the company's £8.7bn financial restructuring.

Details of the Channel tunnel operator's revised financing, including a debt-for-equity swap that would give banks and debt funds about half the equity, will be unveiled today with the group's preliminary results for 1996.

Both Ms Sophie L'Hélias, of Franklin Global Investor Services, and Mr Christian Cambier, head of the Association of Eurotunnel shareholders, yesterday said they planned to act as proxy agents at an extraordinary meeting of Eurotunnel shareholders that will consider the package in June.

Ms L'Hélias, who secured control over 15m votes – more than 1.6 per cent of Eurotunnel shares – at last year's annual meeting, said no decision would be made on a fresh fight until the terms of the deal had been studied.

Mr Cambier said he was confident that investors could obtain a blocking minority to prevent its approval.

To get the restructuring approved, Eurotunnel has to ensure that 25 per cent of the company's equity is represented at the meeting, and then persuade holders of two-thirds of the shares represented to back the deal. The maximum representation yet achieved at a Eurotunnel meeting was 19 per cent.

If shareholder consent can be obtained, the steering committee of six lead banks would still have to persuade holders of the £8.7bn of Eurotunnel debt to back the deal.

That task has been eased somewhat by the purchase of around a quarter of the debt by US debt funds.

These US funds have been empowered during a month-long period, which ended yesterday, when original lenders have been free to assign voting rights to those who have bought the debt from them.

Mr Martin Dent, managing director of global investment at Bankers Trust Company, said: "This has cleaned up the lending structure. It brings the investors who own the debt up to the negotiating table."

COMPANIES AND FINANCE: ASIA-PACIFIC

Nomura loses further business

By Gillian Tett in Tokyo

Nomura Securities suffered another blow yesterday when Japanese companies continued to break links with the group, despite its attempt to clean up its image with a management reshuffle on Tuesday.

Recent revelations that Nomura had paid bribes to corporate gangsters, or *sokaiya*, have resulted in a wave of lost securities contracts.

Central Japan Railway, one of Japan's six recently privatised railway operators, said yesterday it would use Nikko Securities to manage its forthcoming offering, instead of Nomura, its usual partner.

The group said that concerns that Nomura might be suspended had been behind its decision to drop the company. It said it was keen to ensure that that its forthcoming listing proceeded smoothly.

Saibu Gas and Toho Gas have also decided to exclude Nomura from forthcoming bond issues. Such moves have knocked Nomura from its traditional position as the largest securities house on the Tokyo Stock Exchange into fourth position.

The group, which releases its 1996 results today, yesterday pressed ahead with its plans for management changes.

Following the appointment of a new president and the removal of one-third of Nomura's board on Tuesday, the group now plans to abolish its senior management committee, which previously dominated policy, and hold regular meetings of managing directors. It also plans to create a new department for inspection and general affairs to prevent any repeat of the bribery scandal.

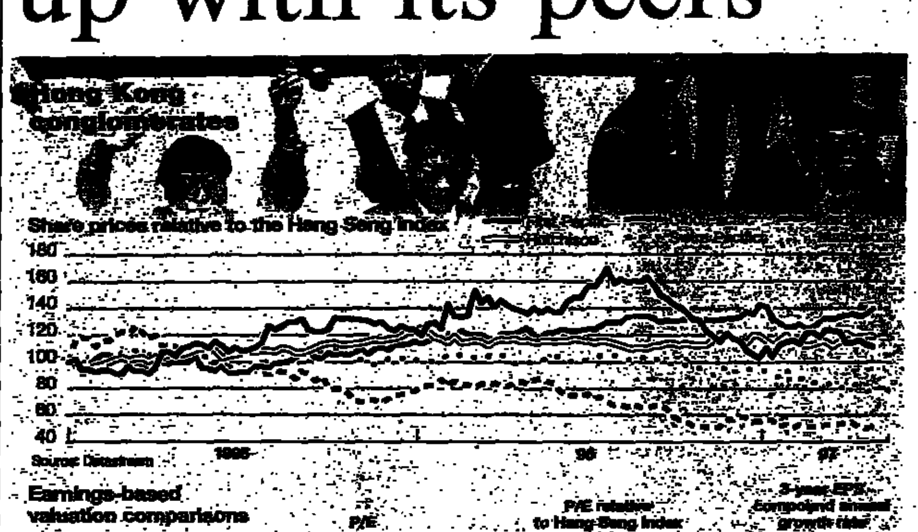
It remains unclear whether these changes will have much impact on the group's management style.

The appointment of the new president, Mr Junichi Ujiie, was welcomed by analysts in Tokyo, who pointed to his international background and relative youth.

They suggested that the international wing of Nomura's operations would gain power within the group, breaking the pattern whereby domestically oriented cliques – including those involved in the *sokaiya* affair – have dominated the higher echelons of its power structure.

However, with the Ministry of Finance expected in the next few days to decide whether the group will face penalties for the scandal, analysts said Nomura was unlikely to recoup rapidly the business it has lost in recent weeks.

First Pacific catches up with its peers



Source: Datastream

Earnings-based valuation comparisons

	P/E 1996	P/E 1997 est	P/E relative to Hang Seng Index 1996	P/E relative to Hang Seng Index 1997 est	3-year EPS compound annual growth rate 1997-2000
First Pacific	15.1	12.6	101%	97%	20%
Hutchison	26.1	18.8	174%	144%	17%
Citic Pacific	23.0	18.6	154%	143%	19%
Swire Pacific	15.3	10.6	102%	82%	11%
Jardine Matheson*	9.0	8.2	60%	63%	8%
Hong Kong Market	15.0	13.0	100%	100%	16%

Source: Morgan Stanley Asia *Share price stated in US$

First Pacific, the one-time poor relation of the British-controlled conglomerates whose rise has mirrored that of Hong Kong itself, is enjoying a rebirth among the investment community.

Behind the flurry of "buy" recommendations are a belief in the company's strategy and management; strong growth prospects, stemming from exposure to the fast-growing Asian economies; and its undervaluation compared with other Hong Kong conglomerates.

Mr Mike Warren, conglomerates analyst at Morgan Stanley Asia, says: "There are no companies I can think of in Hong Kong with such diverse regional exposure – with the possible exception of Jardine Matheson, which doesn't have the same growth potential."

That shows how far First Pacific has come. In 1991, profits were battered following an abortive merger with Internatio-Muller, a Dutch trading and transport group, as well as the loss of five distributors in the Philippines and problems at its Australian software unit.

"We did lose our way," says Mr Manuel Pangilinan, managing director. "Now we focus on what we really want to do and the results of that are reflected in earnings." Since 1991, annual growth in earnings per share, fully diluted, has been 36 per cent, stripping out exceptionals, he says.

The 1991 restructuring left First Pacific with four core activities – marketing and distribution, telecoms, property and banking – and a strong belief in the value of the conglomerate, backed up with what Mr Pangilinan calls "a very interventionist approach" to its companies.

At a time when Hong Kong companies are hiving off infrastructure and other arms, First Pacific will only divest when forced to do so.

For example, the forthcoming US$250m flotation of Smart Communications, the Philippines cellular phone group partly owned by First Pacific, was triggered by the terms of its franchise. Plans to float First Pacific Davies, the Hong Kong property and services arm, have been shelved.

Keeping companies private, says Mr Pangilinan, allows the group to allocate cash flow more efficiently and to be more flexible in dealing with management.

The emphasis is on growing businesses within the group – both organically and through acquisitions – and on transferring expertise across divisions.

"Telecoms is a business where the experience and expertise are all fungible. Building a cellular system is more or less the same in Hong Kong and the Philippines. Management of bad debt, closing and fraud are all similar," Mr Pangilinan says.

But telecoms, though the group's second biggest money earner, has not been an unmitigated success. Pacific Link, the Hong Kong cellular operator, has suffered problems both thrust upon it and of its own making.

Mr Thomas Yasuda, executive director with telecoms responsibilities, blames the wave-length assigned to Pacific Link, which puts it on a different technology platform from its competitors on the GSM standard and so precludes "roaming" into China, which has adopted GSM as its main standard. "There's some marketing advantage to our ability to roam into North America, but it's definitely outweighed by the disadvantage of not being able to roam into China," Mr Yasuda says.

Other handicaps have yielded lessons. Massive growth led to the company running out of suitable handsets and standards suffered. Last year was the year of consolidation – "for us to continue to put subscribers on would have exacerbated the problem" – with US$25m ploughed into upgrading the network.

Bigger questions about First Pacific centre on its exposure to riskier markets such as the Philippines and Indonesia – the flip side to its higher growth prospects – and gearing sharply higher than the conservative levels preferred by most Hong Kong companies.

Mr Pangilinan attributes the group's consolidated gearing of about 160 per cent to its policies of not revaluing properties and of writing off goodwill against equity, so the equity side of the ratio grows slowly. Moreover, he notes that the debt largely relates to the marketing and distribution companies, such as Hagemeyer.

"All companies are cash flow positive at operating level," he says. For the parent company alone, book debt to book equity is 40 per cent, he adds, while book debt to adjusted net asset value is only 8 per cent.

For analysts these are forgiveable concerns, however. "With conglomerates you buy management, and I have 100 per cent confidence in the management," says Mr Warren, at Morgan Stanley.

Louise Lucas

ASIA-PACIFIC NEWS DIGEST

'Red chip' placing to raise HK$3.9bn

China Merchants Hai Hong Holdings, the Hong Kong-listed arm of China's Ministry of Communications, is to raise HK$3.92bn (US$506m) through a share placement to purchase highways and container interests from its parent company, China Merchants Holdings.

Proceeds from China Merchants Hai Hong's share placement will centre on five toll roads in the southern provinces of China, and it will also take a 33.73 per cent stake in China International Marine Container.

The HK$3.92bn raised by China Merchants Hai Hong comes on top of the HK$466m raised by the company in January. The latest placing, of 650m shares at HK$6.03, represents a 43 per cent slice of the enlarged share capital. The parent will subscribe for shares, thus maintaining its 60 per cent stake. The HK$6.03 share price represents a 7.9 per cent discount to China Merchants Hai Hong's closing price of HK$6.55 before trading was suspended on Tuesday. *Louise Lucas, Hong Kong*

HK property joint venture

Swire Properties and Sun Hung Kai, two of Hong Kong's biggest property groups, yesterday announced a joint venture to develop a HK$25bn (US$3.2bn) residential project on the territory.

The two companies said they had acquired the right to develop the Shiu Wing steel mill site at Tsung Kwan O, to the east of the Kowloon peninsula. The site has a development potential of 4m sq ft and is intended to provide 4,000 residential units, shopping space and car parks. The plan comes amid pressures on the government to increase the supply of housing. *John Ridding, Hong Kong*

Dairy Farm finds new chief

Dairy Farm International, the food retailing arm of the Jardine Matheson group, has ended its search for a chief executive eight months after Mr Graeme Seabrook stood down from the post. His replacement is Mr Ronald Floto, executive vice-president of Kmart and president of Super Kmart, the US retail groups. Mr Floto will take up the reins at Dairy Farm on June 12, almost one year after Mr Seabrook signalled his intention to quit for personal reasons.

Last year Dairy Farm reported a 79 per cent fall in net profits to US$27.9m, after provisions of $77.5m for restructuring at its Australian and UK operations. *Louise Lucas*

Shiseido to raise US output

Shiseido, Japan's leading maker of cosmetics, has bought manufacturing facilities and property in the US which it said would more than double company's North American output by the year 2000. Shiseido will buy production facilities owned by Carter-Wallace, a manufacturer of healthcare products, in New Jersey for about $6m, and an adjacent site owned by Pipco Ewing, a subsidiary of Summit Bank. *Gwen Robinson, Tokyo*

Aluminium group disappoints

National Aluminium Company, India's largest aluminium group which is 87.2 per cent owned by the federal government, disappointed the market with a 10.64 per cent fall in net profits for the year to the end of March.

The group blamed weak prices for aluminium and the loss of zero tax status for a drop in net profits from Rs5.35bn to Rs4.79bn ($134m).

However, increased production and sales helped drive revenues up from Rs17.44bn to Rs17.69bn. Profit before tax rose Rs73.2m to Rs5.43bn. The group made a maiden tax provision of Rs638.4m. Earnings per share dropped from Rs4.15 to Rs3.72. *Kunal Bose, Calcutta*

Television NZ payout

Television New Zealand, the state-owned broadcaster, will for the second year in a row pay total dividends to the government which will be greater than its earnings. The company reported a tax-paid profit of NZ$60.6m (US$42.1m), up from NZ$43.1m last year. Ms Rosenne Meo, chairwoman, said the company would pay the government total dividends of NZ$62.1m, including a special payout of NZ$20m.

The government has promised not to sell the company, despite widespread calls from the business community for it to do so. *Terry Hall, Wellington*

Support grows for Nippon Credit rescue

By Gillian Tett

Efforts to rescue Japan's Nippon Credit Bank are gathering pace, with at least one big Japanese bank preparing to throw its weight behind the proposed Y291bn ($2.31bn) recapitalisation.

Senior officials at a bank scheduled to play a key rôle in the recapitalisation said yesterday they were prepared to purchase new shares in NCB. "We will support the plan – it is important for the health of Japan's whole financial system," the president of the bank said.

Meanwhile, Mr Kenjiro Hata, chairman of the Japan Life Insurance Association, has pledged that insurance groups will support the plan "to help regain people's confidence in the nation's financial system."

These signs of support will come as a relief for Japan's financial authorities, who are anxious to implement the recapitalisation to prevent the problems at NCB threatening the stability of Japan's banking system.

The plan calls for creditor life and non-life insurance companies to buy Y97bn of NCB shares, and private banks Y70bn, with additional state assistance.

The two largest banking contributors are expected to be the International Bank of Japan and Long Term Credit Bank, although the other large Japanese banks will also contribute.

Nevertheless, the recapitalisation scheme has provoked unease among some western banking analysts, who fear it heralds the return of the Japanese "convoy" system, where stronger banks bail out weaker ones.

Some analysts remain doubtful whether the bail-out will work. Mr Brian Waterhouse, of HSBC James Capel, argued: "I think that there is a very good chance that NCB will still fail."

The banks themselves are refusing to indicate their plans in public until the Ministry of Finance completes an investigation of NCB, including an independent assessment of the bank's bad loans, which are reported to be Y1,260bn.

NCB yesterday announced plans to launch asset-backed securitisation products jointly with Bankers Trust during the summer. This follows its tie-up with the US group earlier this month.

NCB argues that securitisation business will be a key part of its attempts to carve out a new business niche in the overcrowded Japanese banking market.

Banco Popular buy-back welcomed

By Tom Burns in Madrid

Shares in Banco Popular, the highly capitalised Spanish bank, surged nearly 8 per cent yesterday after it announced details of a stock buy-back scheme designed to lift its appeal to investors.

The strategy also includes a stock split and a far-reaching early retirement plan to streamline management and enhance profitability.

Popular's shares outperformed a bullish Madrid market, putting on Pta2,100, or 7.7 per cent, to close at a record Pta29,050.

The strategy was unveiled as Popular released first-quarter results showing 11.7 per cent growth in net attributable income, to Pta16.1bn ($111m), compared with the first three months of last year.

The growth, which was ahead of forecasts, was fuelled by fee income and treasury trading profits that offset a 0.8 per cent fall in net interest income.

The share buy-back programme involves buying up to 4.5 per cent of Popular's outstanding equity on the open market for a sum not exceeding Pta35bn. The board will ask shareholders at the bank's annual general meeting on June 27 to authorise the cancellation of the stock it has acquired.

Popular has been under pressure from its majority shareholders – mainly foreign institutions – to reduce its capital. The buy-back decision, which has been eagerly awaited for the past 12 months, is being implemented at a time of high annualised net returns: return on assets stands at 2.01 per cent, up from 1.86 per cent in March 1996, and return on equity at 20.43 per cent, up from 19.48 per cent.

The AGM will also be asked to authorise a stock split, scheduled for September, that will reduce the face value of Popular's shares from Pta500 to Pta125, thus quadrupling the outstanding number of shares. Rival Banco Santander took a similar decision earlier this year, while Banco Bilbao Vizcaya will also reduce the par value of its shares as soon as they trade above Pta10,000.

Shareholders will also be asked to approve the transfer of Pta18.5bn from the Popular group's unrestricted reserves and general risk allowances to a special fund that will finance an ongoing retirement plan. Last year, Popular put aside Pta10bn for this, and 361 employees out of a total of just over 12,000 left the group.

● Argentaria, the banking group which is 30 per cent state-owned, posted a 29.4 per cent fall in its first-quarter net attributable profits, to Pta15.8bn.

The fall was slightly larger than anticipated, although it had been largely discounted as Argentaria launched an ambitious programme to clean up its balance sheet midway through last year, when Mr Francisco González was appointed chairman. Attributable earnings fell 58 per cent last year to Pta31.2bn after the bank took a Pta43bn charge.

Analysts now believe Argentaria is on a strong recovery track. These forecasts were underlined by a 13.5 per cent increase in the bank's first-quarter net interest income to Pta53.7bn and a 9.3 per cent rise in its operating margin, to Pta27.2bn.

However, the first-quarter results were hit by a sharp drop in extraordinary income and by trading losses.

EUROPEAN NEWS DIGEST

France to end Eramet impasse

The French government yesterday moved to end its impasse with the management of Eramet, the mining group, by claiming a majority on the board to reflect its 55 per cent stake. This is likely to lead to the replacement of chief executive Mr Yves Rambaud, who is in dispute with the state over New Caledonia.

The dispute relates to the French government's efforts to placate local separatists in the French Pacific territory by giving them one of the nickel concessions held by Eramet.

The offer, which includes development of the concession by Falconbridge of Canada, is being resisted by Eramet management under Mr Rambaud. Paris is revoking the company's concession, although it has promised to compensate other Eramet shareholders, which include US and UK institutions such as Fidelity, Templeton, Mercury Asset Management and Scottish Widows. The government at present has only four nominees on the 15-member board.

However, after a board meeting yesterday, members representing the Erap state holding company said they expected to take a majority at the annual shareholders meeting, expected in late May.

Eramet yesterday also announced a 29 per cent drop in 1996 net profits to FFr305m ($53.5m), from FFr430m a year earlier.However, it will maintain its dividend at FFr6.60.

David Buchan, Paris

Mosenergo mollifies investors

Mosenergo, the Moscow city electricity company at the centre of a shareholder dispute last week, has launched a campaign to mollify disgruntled investors and restart stalled loan negotiations with the European Bank for Reconstruction and Development.

"Our first priority is to end this schism. We would like to restore normal relations with the EBRD," Mr Nestor Serebriannikov, Mosenergo general director said yesterday.

Mr Serebriannikov's appeal follows a tense week in which the EBRD, foreign investors and Russia's new reformist government united to force Mosenergo to withdraw proposals that would have curbed the rights of outside shareholders. The EBRD threatened to withhold a loan of up to $160m which had been under negotiation for more than a year. But now Mr Serebriannikov and his team are looking to mend fences.

Mr Reinhard Schmoelz, director of the EBRD Russia team, said the company's decision to drop its efforts to limit shareholder rights, would allow loan talks to resume.

Chrystia Freeland, Moscow

KGHM sell-off scaled down

The planned sale of KGHM, Poland's integrated copper producer, looks set to be scaled down. The company said this week it did not need the additional capital the offer, which was to be one of Poland's largest privatisations, was to have raised.

Mr Stanislaw Siewierski, managing director of KGHM, said in a newspaper interview the company could finance its development costs from its own resources and bank loans. The statement came after it reported a 147m zlotys ($47.4m) net profit for last year, compared with 428m zlotys profit in 1995.

Final government decisions on the structure of the offer are expected soon.

Christopher Bobinski, Warsaw

Overseas sales boost Siemens

By Graham Bowley in Frankfurt

Buoyant overseas sales helped Siemens, the German electrical and electronics group, shake off weak domestic demand to post a double-digit rise in new orders in the first half of its financial year.

But the company's shares fell after it reported net profits remained static at DM1.08bn ($635m) in the first six months compared with last year, dashing intense speculation that the company was set to post a big improvement.

The speculation had fuelled a sharp rise in Siemens shares earlier this week to more than DM91 on Tuesday, but the price closed down DM2.30 yesterday at DM88.90.

The company, which is undergoing restructuring, restated its forecast for flat earnings for the whole of the current year, but said growth in German orders and sales was expected in the second half.

Demand was strongest in North and South America and in the Asia-Pacific region, helping overall new orders climb 11 per cent to DM53.9bn, the company said.

"Siemens profited from the on-going boom in North and South America," it said.

Overall sales rose 6 per cent to DM44.7bn, but Siemens attributed about one third of this increase to the currency translation effects of the weaker D-Mark.

The group's communications division, Siemens Nixdorf Informationssysteme, its computer unit, and its automotive systems arm posted the strongest growth.

But the group's earnings were depressed by lower net profits in its semiconductors, medical engineering and transportation systems divisions.

Siemens this week announced plans to dispose of its dental equipment business, the latest in a series of moves aimed at concentrating on core businesses. This follows the company's decision last month to sell its defence electronics business.

"This is a sign the company is recognising the need to spin off areas where it is not profitable and where it is too small," said Mr Peter Thilo-Hasler, analyst at Vereinsbank Research in Munich.

Overseas sales increased 11 per cent in the first six months to DM28.2bn. Orders in the Asia-Pacific region increased 28 per cent to DM7.3bn. Domestic sales fell 2 per cent to DM16.5bn and domestic orders declined 3 per cent to DM18.2bn.

The company said it had cut its German workforce by 3,000 since last September, but this decline had been matched by a 3,000 addition to its overseas workforce.

"A more stable economic climate in central and eastern Europe also had a positive impact on business: orders in the region reached DM1.3bn, significantly above last year's level," it said.

Stet wins 25% stake in Mobilkom

By Paul Betts in Milan

Stet, the Italian telecommunications group due to be privatised this year, has won the contest to take a stake in Mobilkom Austria, the cellular telephone subsidiary of PTA, the Austrian post and telecommunications monopoly.

The Italian group said yesterday it had agreed to pay Sch8.4bn ($697m) for a 25 per cent holding in Mobilkom.

The group's Stet International unit outbid Tele Danmark, Unicorn (a subsidiary of the Unisource alliance) and Southwestern Bell, of the US, to forge a strategic partnership with the Austrian company.

The deal, which is conditional on approval from the European Commission, is part of Stet's strategy of broadening its international alliances ahead of privatisation. It follows its link-up earlier this week with two Spanish electricity companies, Endesa and Unión Fenosa, to bid for Retevisión, which is to become the main competitor of Telefónica, Spain's largest telecoms operator.

Mr Tomaso Tommasi di Vignano, Stet chief executive, said yesterday the Austrian market offered "promising" potential. The deal, he added, was "a significant step forward in Stet's internationalisation strategy".

Mobilkom Austria was set up last October when PTA spun off its mobile phone operations. It operates Austria's biggest GSM network, with about 400,000 subscribers. It also operates two analogue networks with 280,000 subscribers, and two paging networks with 100,000 subscribers.

Mobilkom has about a 95 per cent share of the domestic mobile phone market. Its main rival is the privately owned consortium Max.Mobile. Austria plans to award a third mobile phone licence this summer.

Stet controls Telecom Italia Mobile, Europe's largest mobile operator with a market capitalisation of L39,000bn ($22.88bn) and more than 6m subscribers. TIM has an 88 per cent share of the Italian market.

The latest deal comes as Stet prepares to merge with Telecom Italia, its main operating company.

The Italian government yesterday approved the transfer of Telecom Italia's operating licences to Stet ahead of the merger, which is to be voted on by Stet and Telecom Italia shareholders on April 30. The merger will cut the Italian government's stake to below 50 per cent. The government then plans to sell its stake in the autumn, while keeping a golden share in the merged group, which will retain the Telecom Italia name.

However, before this can be done the political parties must approve the constitution of a new telecoms regulatory authority, which has continued to be the source of considerable controversy.

For Austria, yesterday's agreement is a step towards the privatisation of the PTA, which is scheduled for 1999.

Lower gold price hurts Randgold

By Mark Ashurst in Johannesburg

Randgold, the mining group which has pioneered reforms in the South African gold industry, yesterday announced a sharp decline in profits for the March quarter.

But Mr Peter Flack, chairman, said the group had achieved the goals set in August 1994, when he led a shareholders' revolt to unseat the previous management.

Randgold had been transformed "from a traditional mining house into an investment company", which had reversed the fortunes of the group's "moribund, marginal mines," Mr Flack said. But this achievement was offset by the slump in the gold price, and operating profit fell 59 per cent from R130.6m to R53.4m ($224m) in the three months to March 31. Analysts said the results were below expectations.

The group will publish full results for the 18 months to March 31 today. Cash operating profit for the period was R149.6m after exploration expenditure of R64.4m. The results are not comparable with the year to September 1995 because of the longer reporting period, and the inclusion of results from the new Syama mine in Mali and Randgold's $48m convertible bond issue.

Mr Flack said the strategy of encouraging independently managed mines and improving labour relations had "for all practical purposes" achieved its goal of removing the discount to net asset value in the share price. This had improved from R12.57 on September 30, 1995 to R38.73 on March 31.

However, the shares were still trading at a discount to net asset value because Randgold had "effectively moved its own goalposts" by enlarging the asset base through the acquisition of new mines and prospects. More than 60 per cent of Randgold shares were now held by foreigners; five mines had been listed on Nasdaq; and Randgold Resources, its African exploration arm, would list in London in June.

In the March quarter, freak weather, redundancies and reduced gold output combined with the weak bullion price to push Durban Roodepoort Deep, ERPM and Grootvlei mines into the red.

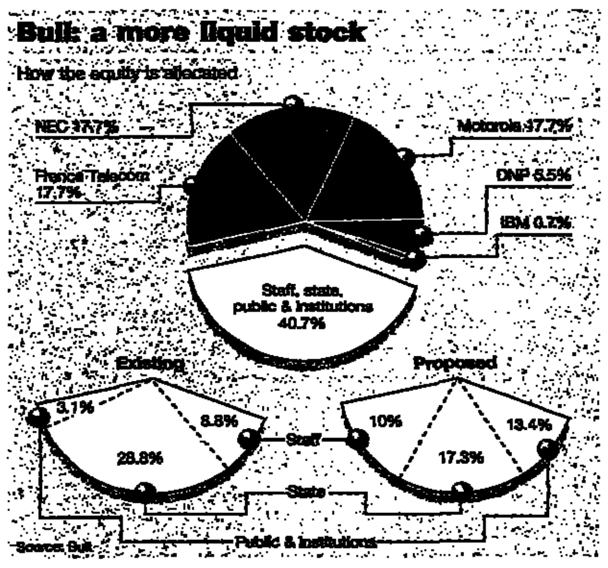
The group planned to create two new super mines, each with a single listing. On the East Rand, Harmony had offered to acquire Grootvlei and Cons Modder mines, which would be merged with the operations and mineral rights of Unisel, Verneulenskrral Noord, Lydex and Saaiplas. On the West Rand, Durban Roodepoort Deep would offer for Blyvooruitzicht and Buffelsfontein.

Bull becomes model for French sell-offs

These are important times in the chequered history of Compagnie des Machines Bull, the French computer group.

European investors have just been given the opportunity to buy part of the French state's remaining 28.8 per cent holding in a share offering expected to raise over FFr600m ($105m) and to more than quadruple the proportion of the company's capital traded on the market.

But why should investors want a piece of a company that, not so long ago, was a veritable black hole in the French public sector, clocking up accumulated losses of FFr22bn between 1989 and 1994 and consuming a FFr7bn capital injection?



Simply because times have changed. Under Mr Jean-Marie Descarpentries, the group has made a profit in each of the past two years, with a further "clear improvement" forecast for 1997.

It has a stable base of industrial shareholders, comprising France Telecom (with 17.7 per cent of the shares), Japan's NEC (17.7 per cent), Motorola, of the US (17.7 per cent), Dai Nippon Printing (5.5 per cent) and International Business Machines (0.7 per cent).

The French government now sees Bull as a model for future privatisations, particularly for Thomson Multimedia, the troubled state-owned consumer electronics business.

Mr Descarpentries, former chairman of Carnaud Metalbox, the Anglo-French packaging group, appointed in 1993, makes much of the potential for a substantial increase in spending on information technology by European companies in coming years - and on Bull's ability to cash in on it.

"American companies have understood that information technology is not a cost, it is an investment," Mr Descarpentries says. He describes information technology as the most profitable industry in the world.

That said, Bull's recovery still has a fair way to go.

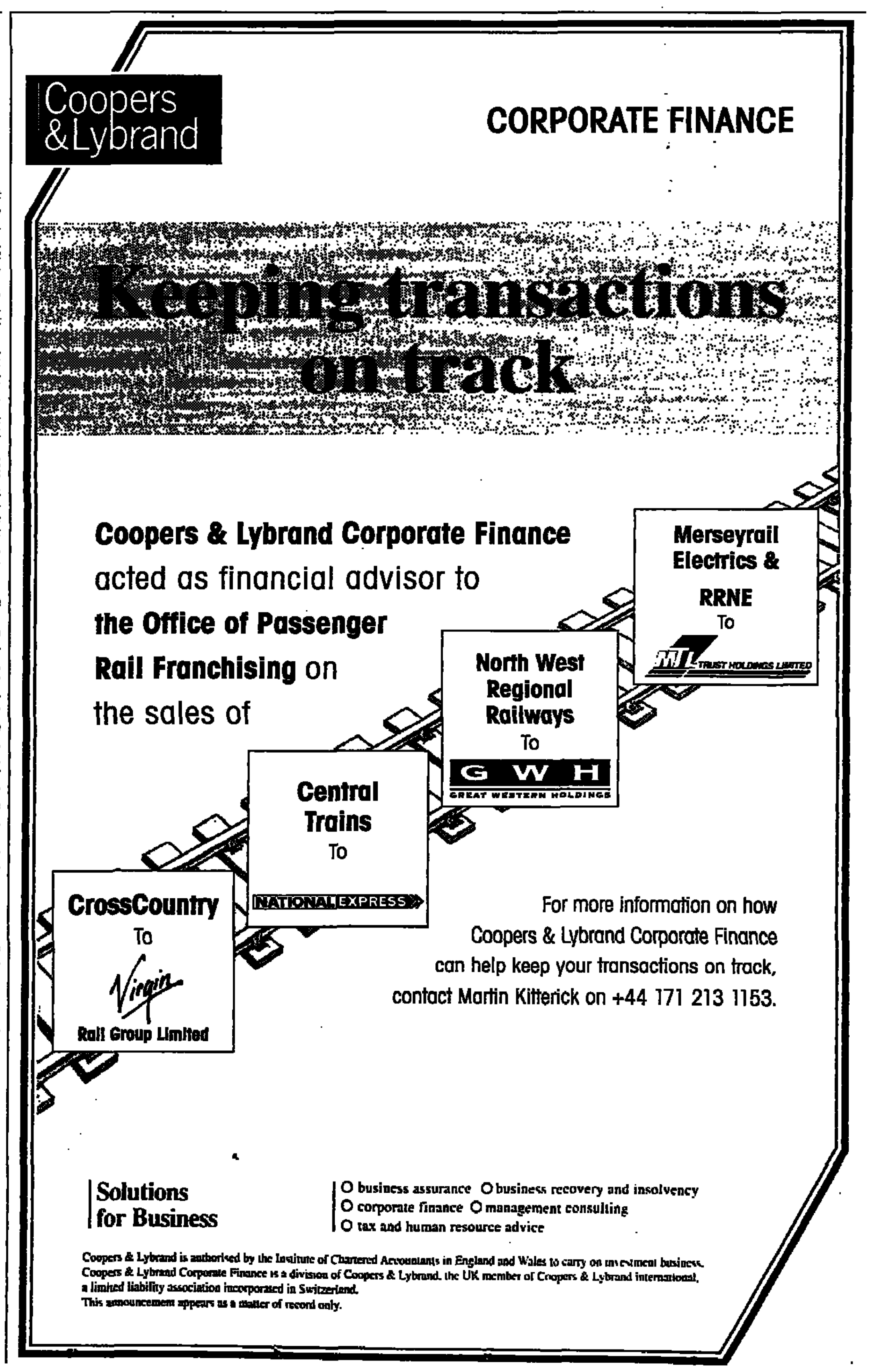
Accumulated earnings in the past two profitable years amount to less than FFr700m.

The company's operating margin last year was 3.2 per cent, against an average of 10.4 per cent for what it describes as its top five competitors.

The group was also recently deprived of the services of Mr Thierry Breton, Mr Descarpentries's number two, who played an important role in the recovery. Mr Breton, now chairman of the Thomson electronics group, has been credited with demonstrating particular skill in helping to manage the relationship with the group's diverse industrial shareholders.

Prospective retail investors would probably be interested to know Mr Breton's thoughts on the current share offering. In the meantime, institutional demand has been strong, with the offer said to have been "considerably oversubscribed".

David Owen



Alcatel Alsthom sells wine estate

By David Owen

Alcatel Alsthom, the French telecoms and engineering group, has sold Château Gruaud-Larose, its prestigious Médoc wine estate, to Bernard Taillan Vins, of Bordeaux.

The move is part of a programme of disposing of non-strategic assets. The company would not divulge the price, but a figure of more than FFr400m ($69.2m) has been mentioned.

The property, which dates back to 1757, covers 130 hectares and produces an average of 500,000 bottles a year, had not been in Alcatel's hands long, having been acquired under Mr Pierre Suard, its former chairman, in 1993.

The company is reported to have said at the time of the purchase that it saw the move as "a good investment in land" and a way of "defending France's cultural patrimony".

Château Gruaud-Larose is said by experts to be a highly regarded second growth Saint-Julien. An example of the outstanding 1961 vintage was on the wine list at the 1984 economic summit in London.

The sale comes as exports of French wines are climbing, making an important contribution to the country's impressive overall trade surplus.

According to the Paris-based Fédération des Exportateurs de Vins et Spiritueux de France, last year's exports reached FFr24.5bn, an increase of 9 per cent from 1995. The contribution of Bordeaux wines to this was FFr5.2bn, a rise of 14 per cent.

South African group accuses European Commission of exceeding its powers

Anglo told to reduce Lonrho stake

By Caroline Southey in Brussels, Kenneth Gooding in Johannesburg and Ross Tieman in London

Anglo American Corporation, South Africa's biggest company, yesterday accused the European Commission of exceeding its powers after it instructed Anglo to cut its 27.5 per cent stake in Lonrho, the African trading conglomerate, to 9.99 per cent.

Mr Julian Ogilvie-Thompson, chairman of Anglo, said: "I have no doubt that the commission has gone well beyond its legal rights." The Commission "has imposed restrictions that effectively are making new laws."

The Commission's intervention in the Anglo deal has extended the boundaries of its merger supervision. It is the first time the Commission has asked for the transfer and possible disposal of shares in a quoted company on competition grounds.

The Anglo chairman launched his attack, after the Commission yesterday published the outcome of its long-running battle with Anglo over the holding.

Karel van Miert, commissioner for competition, insisted Anglo's stake be reduced because of a threat to competition in the platinum market.

But the The European Commission yesterday left open the possibility that Anglo could maintain its 27.5 per cent stake in Lonrho if the company's platinum interests were sold off to a third party.

A Commission official said a reduction would be "carried out within an agreed timetable" but only if "no other solution to the Commission's competition concerns be found".

So far Lonrho was only able to sell its platinum business to Gencor, a rival South African mining group, a move blocked by an earlier Commission decision against a proposed platinum joint venture between the two.

Lonrho shares closed at 136p, down ½p, well below the 180p at which Anglo bought the bulk of its holding last October.

The Anglo chairman said he was confident of a satisfactory outcome.

The role of Swiss bank account 207766

Clay Harris on the trail of the £2.4m Hobson paid to Trellis International

Account 207766 at ABN Amro Bank (Switzerland) in Zürich may play a larger role in Mr Andrew Regan's pursuit of the Co-operative Wholesale Society than, on the face of it, it deserves.

The CWS and its advisers have seized on a £2.4m ($3.88m) payment made to that account in January 1995 to raise questions about Mr Regan's business record.

Although there appears to be no direct connection between the payment and the merits of Mr Regan's current ambitions, the CWS has stumbled across a curious episode, involving offshore havens and unusual confidentiality agreements.

While the CWS's motivation is transparent – to use any ammunition against a potential predator – it has produced enough evidence to show the questions it raises are not artificial.

Hobson, the food manufacturer, then run by Mr Regan, made the payment to the account one day after signing an agreement with the CWS to extend an exclusive supply contract for 2½ years.

The money went to Trellis International, a British Virgin Islands company, listed elsewhere as being "controlled" by Mr Ronald Zimet, a businessman who Hobson said had acted as a negotiator in the contract talks, although his role is disputed by the CWS.

What "control" means in the context of a company based in a secretive offshore jurisdiction is not clear. The phrase certainly tells nothing about Trellis's beneficial ownership.

Swiss banking secrecy and the passage of time makes it unlikely, moreover, that any subsequent payments made by Trellis could be traced.

The Serious Fraud Office has said it is not investigating the Trellis payment.

But evidence of the unusual nature of the transaction comes with documents showing the CWS was not the first to raise questions about the payment.

Two months after the 1995 deal, Hobson's auditors and non-executive directors were so concerned that they sought independent legal advice. They later obliged Mr Regan and two fellow executives, Mr David Lyons and Mr Peter Hallett, to sign letters about the payments.

In these letters, dated March 22 1995, each confirmed that neither he, nor connected persons or companies, as defined by the Companies Act, had directly or indirectly received, or benefited from, any part of the payment to Trellis. Each also said that "none of the directors, officers, executive management or employees of the CWS" had benefited.

On the same day, Mr Regan and Mr Zimet signed a similar letter which stated that the payment was received by Trellis "as principal and not on behalf of any other party".

It also confirmed that Trellis had "not paid and will not pay all or part of the payment to any director, officer or employee of the CWS, FE Barber Ltd [the food manufacturing subsidiary] or Hobson plc."

Like many of the documents, this letter contained tough strictures against disclosure to other parties. The documents have come to light now because Hillsdown Holdings, which bought Hobson later in 1995, inherited its files. Having been assured that the supply contract was safe, Hillsdown has made the documents available to the CWS.

Confidentiality was a priority on all sides. Hobson paid the CWS £2.8m to extend the contract, but the official agreement listed no price. The CWS kept secret how much it had been paid. Hobson was determined not to let the CWS know that it had paid £2.4m to Trellis.

This concern about secrecy now appears to have backfired on Mr Regan, if only to create an air of unease about the deal. It remains possible that Mr Zimet, expected to arrive in London today, will emerge from seclusion to give a fuller account of his role.

Like the uproar over the CWS's decision to order covert surveillance of Mr Regan and its own executives, the Trellis affair may turn out to be a sideshow if a bid is launched. But as the takeover arena gets muddier, both sides could risk getting bogged down, even before the main event.

Bank of Scotland grows steadily

By George Graham, Banking Correspondent

Bank of Scotland shrugged off a disappointing performance from BankWest, its Australian subsidiary, to report pre-tax profits up 22 per cent to £664.1m ($1bn) in the year to February.

Sir Bruce Pattullo, governor, said Bank of Scotland had continued to gain market share in the UK. Customer lending rose 14 per cent to £27.1bn, and net interest income increased by 22 per cent to £1.22bn.

"The trick in the banking sector is to grow your customer base," he said. "The advantage of increasing market share, particularly a slow, incremental increase, is that it gives you the opportunity to do that."

BankWest, of which Bank of Scotland owns 51 per cent, reported pre-tax profits of A$150.1m ($117m), failing to match the forecast of A$159.9m in its prospectus, when the remainder was floated a year ago.

BankWest faced intense competition in the Australian mortgage market, and Mr Ian McKenzie, its chairman, warned that it might not be able to sustain last year's profits level.

Bank of Scotland reported a more favourable outlook for its other high profile venture, Sainsbury's Bank. Launched in February in partnership with J Sainsbury, the supermarket group, it has already attracted 100,000 customers with total deposits of £100m.

Operating costs rose 20 per cent to £925.2m, but after adjusting for the addition of BankWest and the sale of Dunedin Fund Managers, the underlying rise was only 11 per cent. The group cost to income ratio rose from 52.1 per cent to 52.5 per cent.

With a post-tax return on equity of 23.6 per cent, Bank of Scotland generated £278.1m of retained earnings, boosting its Tier 1 capital adequacy ratio from 6.1 per cent to 6.4 per cent. A £118m issue of irredeemable preference shares after the year end will have increased that ratio by about another 0.3 of a percentage point.

LEX COMMENT

Bank of Scotland

If you cannot be bothered to explain, you can hardly complain if people do not understand. Bank of Scotland's sub-par rating is the legacy of years of neglecting investors when Standard Life owned nearly a third of the shares. The position has changed, and the bank is talking more. But the message is still not getting through. Yesterday, it turned in another solid set of results – underlying pre-tax profits up 27 per cent, at the top end of expectations, bad debts and cost ratios down – yet the shares continue to languish at a price/earnings discount of 20 per cent to such stocks as Abbey National and Alliance & Leicester.

There is, of course, a further reason for the shares being under-valued. It is a growth stock at a time when investors remain suspicious of banks' ability to grow profitably – at least if, like BoS, they are relying on the UK market to do so. This prejudice should be re-examined. The group has shown a knack for innovation; and a pre-tax return on equity of about 35 per cent for the past three years is evidence that it is not squandering funds. Moreover, the growth is coming in areas where margins are good, like credit cards, or where it has a strong competitive position, such as mortgages.

It is not all plain sailing. In particular, the savage battle in the Australian mortgage market continues to blight short-term prospects for BankWest. But the story is good otherwise. The shares offer good value.

Granada may retain some Exclusives

By Scheherazade Daneshkhu, Leisure Industries Correspondent

Granada is considering retaining a number of its more valuable Exclusive hotels, a chain which the group said it would sell after last year's £3.9bn ($6.3bn) hostile takeover of Forte.

Exclusive hotels which could be retained include The Ritz in Madrid, the Eden in Rome, and Brown's in London, which have a total book value of £114m.

Granada has raised its asking price for the hotels, following an improvement in profitability, although some potential buyers may choose not to meet the asking price.

Some of the less valuable hotels, such as the Hotel des Bergues in Geneva, are also likely to be retained.

Granada said at the time of the takeover that it would sell the 17 Exclusive hotels, which have a combined book value of £801m, to reduce net debt of £3.5bn at its September 1996 year-end.

It has raised £1.3bn from disposals since the takeover in January 1996, of which £405m was from the sale of seven Exclusives. The total also includes more than £200m realised from non-Forte assets.

Granada decided to keep the Exclusive's flagship Grosvenor House, which has a book value of £302m, after offers fell short of the £350m-£400m asking price.

Mr Jason Holden, leisure analyst at NatWest, said that "it would be mildly disappointing if a couple of the larger Exclusives were not sold, but Granada's disposal programme is already well advanced."

Molins shares fall 13% after US accounting irregularity

By Charis Gresser

Engineering company Molins yesterday revealed that accounting irregularities had occurred at its US corrugated board business, causing its shares to fall 13 per cent.

The company, which makes machines for the cigarette and packaging industry, expects to take an exceptional charge of £7.4m ($12m) against 1997 pre-tax profits. Last year's pre-tax profits were £33.4m.

Molins said yesterday that profits had been overstated at its Langston Corporation subsidiary and the division's president, Mr Leo Maynes, and chief financial officer, Mr Walt Belville, were dismissed earlier this week.

Early evidence suggests that some costs, such as those for development, at Langston Corporation were not written-off as incurred, but carried in the balance sheet, according to Molins' chief executive, Mr Peter Harrisson

The news was unveiled to Molins shareholders at yesterday's annual meeting in London. One shareholder wanted to know if Mr Michael Orr, the chairman, thought the company's auditors, KPMG, were "blameworthy".

Mr Orr said he could not respond fully to the question since the investigation was at a preliminary stage. He added: "The fact we have asked Price Waterhouse to work alongside KPMG (for the investigation) speaks for itself and, in part, answers your question". He said that KPMG were happy with Price Waterhouse's involvement

KPMG audit director Mr Stephen Purse, attending the meeting, said: "Whenever these things happen, one wishes they hadn't... but no business is audit-proof."

The police is not involved in the investigation, due to be completed in three months' time.

Mr Harrisson said: "There is no reason to believe that anyone has benefited. Our belief is that there was no personal gain for anyone...There is no evidence of any cash being taken out of the business." The company said it did not know for how many years the irregularities had gone on.

The motivation for the irregularities remains something of a mystery.

The men, who could not be reached for comment yesterday, participated in a bonus scheme, which if they met maximum targets, could amount to 30 per cent of salaries.

Anglo Irish up 22%

By John Murray Brown

Strong credit growth in the domestic economy helped Anglo Irish Bank raise pre-tax profits by 22 per cent to I£13.7m ($21m) in the six months to March 31.

Advances to customers were up 14 per cent at I£1.7bn, while interbank lending fell 7 per cent to I£541m.

The bank, which last year acquired the Dublin-based Ansbacher bank, said the increase in its loan book reflected organic growth.

Deposits rose 11.7 per cent to I£2.33bn, with the bank reporting strong upturn in retail deposits. The Austrian subsidiary increased its deposit base.

Net interest income jumped by a fifth to I£24.6m. Fee income was up 27 per cent to I£7.9m, while expenses were up 15 per cent to I£13.1m, reflecting the cost of the Ansbacher takeover.

The bank improved its cost to income ratio to 44 per cent, compared with about 60 per cent for Allied Irish Banks and Bank of Ireland. This reflects Anglo's leaner structure with only 6 branches.

The interim dividend is raised 23 per cent to 1.65p.

AND in £1m acquisition

AND International Publishers, a Dutch electronic publishing group based in Rotterdam and listed both on Aim and in Amsterdam, has bought European Map Graphics for £1m ($1.62m).

EMG, based in Berkshire, had sales of £1m in 1996, and pre-tax profits of £70,000.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Andrews Sykes	Yr to Dec 28 ☆	53.5	(37)	7.91	(4.67)	33.8	(19.2)	6.5	May 30	3	10	3
Anglo Irish Bank §	6 mths to Mar 31	-	(-)	13.7	(11.2)	4.23	(3.44)	1.65	July 17	1.5	-	3.7
Bank of Scotland	Yr to Feb 28	-	(-)	664.1	(545♥)	31.6	(25.8)	5.31	June 20	4.4	8.22	6.85
Beattie (James)	Yr to Jan 31	98.8	(90.3)	7.64	(5.87)	12.4	(9.1)	6	July 7	5.05	7.75	6.65
Beatalls	53 wks to Feb 1	97.3	(86)	3.76♥	(1.2♠)	7.48	(1.74)	2.18	June 9	1.62	2.78	2.22
Enterprise Inns	6 mths to Mar 29	23.6	(12.4)	6.16♠	(3.55♠)	10.7	(7)	2.5	July 2	2.25	-	6.75
Hughes (T.J)	Yr to Jan 25	63	(50.9)	1.82	(0.916)	6.14	(3.2)	2.08	Aug 4	1.85	2.92	2.65
Huntleigh Tech	Yr to Dec 31	92.9	(91.9)	11.6♠	(12.6)	9.04	(9.98)	1.6	July 1	1.5*	2.93	2.67*
PGA European Tour	Yr to Dec 31	4.88	(0.79)	2.77♥	(0.478♥)	0.44†	(0.34)	0.05	July 16	-	-	-
Seafield	Yr to Dec 31	9.63	(13.1)	0.192♠	(3.82L♠)	0.3	(5.5L)	-	-	-	-	-
Wallecross Φ	Yr to Dec 31	3.54	(2.21)	0.086L	(0.264L)	-	(-)	-	-	-	-	-

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ☆Comparatives for nine months. §Irish currency. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. *Adjusted for scrip issue. ΦAim stock.

CONTRACTS & TENDERS

HZ - CROATIAN RAILWAYS
ZAGREB, Mihanoviceva 12

By virtue of the By-law on the procedure for the purchase of goods and services and awarding of contracts (Off. Gazette no. 33/97 dated 28th March 1997) announce:

BID INVITATION

for the purchase of semi processed axles, monoblock wheels, axle assemblies and tires for railway vehicles

I Scope of this purchase includes:
1. Semi-processed axles for wagons, locomotives and trains — 358 pcs
2. Monoblock wheels for locomotives, trains, passenger coaches and freight wagons — 2878 pcs
3. Axle assemblies for passenger coaches and freight wagons — 340 pcs
4. Tires for locomotives and trains — 606 pcs

II Invitation to bid is open to all companies having an efficiently established quality assurance system in compliance with ISO 9000 standards that is to be proved by the certificate of an independent authorised institution.

III Bid shall be prepared on the basis of the documents which are available in HZ - Croatian Railways, Import Export Office, Zagreb, Mihanoviceva 12, room 24, ground-floor, telephone 385 1 45 77 941, fax 385 1 45 77 597 against presentation of the payment slip on 3,600,00 kn paid to the HZ's giro account no 30101-601-85044 or 1000 DEM paid to HZ's foreign currency account with Privredna banka Zagreb no. 30101-620-37-7000280-0182800-121474.

IV The Bid is to comprise:
1. Designation of goods
2. Quantity of goods
3. Unit price
4. Delivery condition
5. Payment terms
6. Credit terms
7. Delivery times
8. Guarantee periods
9. Statement that the goods will be made in accordance with UIC regulations and such additional technical conditions as required by HZ.

V The priority will be given to the bid which will contain, in addition to other advantageous conditions, better payment conditions and crediting in total amount of 100%.

VI The Bids are to be remitted to the following address:
HZ - HRVATSKE ZELJEZNICE
10000 ZAGREB, Mihanoviceva 12, room 30 ground floor.

VII The Bid is to be submitted in double sealed envelope. The outer and inner envelopes shall bear the following indications:
HZ - HRVATSKE ZELJEZNICE
10000 ZAGREB, Mihanoviceva 12;
"NE OTVARATI! - PONUDA ZA NATJECAJ ZA NABAVU POLUOBRADENIH OSOVINA, MONOBLOK KOTACA, OSOVINSKIH SKLOPOVA I BANDAZA ZA ZELJEZNICKA VOZILA" ("DO NOT OPEN THE BID UNDER THE BID INVITATION FOR THE PURCHASE OF SEMI PROCESSED AXLES, MONOBLOCK WHEELS, AXLE ASSEMBLIES AND TIRES FOR RAILWAY VEHICLES");
- attached to the inner envelope is to be the name and address of the Bidder in case that the Bid is to be returned if received late;
- the Bids are to be submitted in Croatian or English languages.

VIII The deadline for the submission of the Bid is 26.05.1997. Only the bids which reach the above address on the above deadline date by 10 a.m. will be taken into consideration.

IX The public opening of Bids will take place on 26.05.1997 at 11a.m. in HZ Zagreb, Mihanoviceva 12 room 184.

X The result of the Bid invitation will be notified to the Bidders within 30 days after the opening of Bids.

HZ - HRVATSKE ZELJEZNICE
Finance and controlling

CALL FOR EXPRESSIONS OF INTEREST
IN PURCHASING THE ASSETS OF
"PORTO CARRAS-TOURIST, AGRICULTURAL & EXPORT SA"
OF ATHENS GREECE

ETHNIKI KEPHALEOU S.A., Administration of Assets and Liabilities, of 9a Chrysospiliotissis Str., Athens 10580, Greece, in its capacity as Liquidator of "PORTO CARRAS-TOURIST, AGRICULTURAL & EXPORT SA", a company with its registered office in Thessaloniki, Greece, (the "Company"), presently under special liquidation, as an on-going concern according to the provisions of Article 46 of Law 1892/1990, by virtue of Decision 915/1997 of the Thessaloniki Court of Appeal invites interested parties to submit within twenty (20) days from the publication of this call, non-bidding written expressions of interest in purchasing the assets mentioned below, offered as a single entity.

BRIEF INFORMATION

The Company was established in 1963 and is still in operation On March 17th 1997 the Company was placed under special liquidation, as an on-going concern in accordance with article 46a of Law 1892/90, as supplemented by art. 14 of L.2000/91. The objectives of the Company include tourist and hotel operations and in particular the establishment and [illegible] of tourist resorts as well as of ships employed for tourist purposes. Furthermore, the Company's objectives include the establishment and operation of farms, of agroindustries, of all types of agricultural and livestock businesses, the [illegible] of Greek products, the operation of export businesses in general, as well as any other type of activity related to the above.

ASSETS OFFERED FOR SALE

The assets for sale include the following, briefly described, tourist and industrial installations situated at Porto Carras, Neo Marmaras, Chalkidiki, at a distance of about 125 km from Thessaloniki, by the sea and over a total area of 17,945.5 stremmas. (4 stremmas = 1 acre) [illegible]

A. Tourist installations

1. SITHONIA BEACH: An A-class hotel with 836 beds in 433 rooms and 20 suites. The hotel also includes [illegible], 3 bars and 2 rented shops. The hotel is under lease to [illegible] from 1994 to 2006, which runs a casino, established within the hotel building.

2. MELITON: A luxury hotel with 827 beds in 428 rooms and 18 suites. The hotel also includes [illegible] 10 rented shops.

3. VILLAGE INN: A B-class hotel with 178 beds in 75 studios, 7 suites and 7 bungalows. The hotel also includes [illegible], 2 tavernas, 3 bars and 28 rented shops. The hotel has been placed on a time-share basis and many time sharing contracts have been concluded from 1991 to 2040. Both MELITON and VILLAGE INN are under the management of [illegible] until the assets are sold.

4. MARINA: [illegible] craft up to 45 metres in length with 166 berths, outlets for [illegible] buildings that are being used as a yacht club.

5. 18-hole golf course over an area of 640 stremmas, 9 tennis courts and a horse riding club.

6. GALANI [illegible] area of 2,400 sq.m. with a guardhouse (252 sq.m.) and a [illegible]

7. Other ancillary areas.

8. The right to utilize the MARINA installations, described above, according to a special permit [illegible] authorities (art.6 par.4. of L.69/1968)

B. Industrial complex which includes buildings and machinery.

1. [illegible] area of about 5,200 sq.m.
2. [illegible] area of about 2,350 sq.m.
3. [illegible]
4. Other ancillary installations such as biological sewage treatment plant, workshop, garage, Public Power Corporation sub-station and pump room.

C. OTHER ASSETS

[illegible] means of transport, ready and semifinished winery products, [illegible] belonging to the Company.

SALE PROCEDURE

The Company's assets will be sold by way of Public Auction in accordance with the provisions of Article 46a of Law 1892/1990, (as supplemented by art. 14 of L.2000/1991 [illegible] terms set out in the call for tenders for the sale of the [illegible] Greek and foreign press on the dates provided by law.

SUBMISSION OF EXPRESSIONS ON INTEREST - OFFERING MEMORANDUM

[illegible] of interest and in order to obtain a copy of the Offering [illegible] the Liquidator "ETHNIKI KEPHALEOU SA ADMINISTRATION OF ASSETS AND LIABILITIES" 9A Chrysospiliotissis St., Athens [illegible] 14.84, fax: +30-1-321.79.05 (attention Mrs Marika [illegible]) or the Liquidator's representative Mr George Dimtsas, 9 Frangini St. Thessaloniki [illegible] and +30375-71381, fax: +3031-237110 and +30375-[illegible]

COMPANIES AND FINANCE: THE AMERICAS

Hilton Hotels leaps 76% in term

By Richard Tomkins in New York

Shares in Hilton Hotels, the US company bidding for the rival ITT hotel and casino group, jumped $1¼ to $26⅞ in early trading yesterday – a rise of 4 per cent – after the company reported an unexpectedly big increase in net profits from $37m to $65m in the first quarter.

The 76 per cent improvement translated into a much smaller increase in earnings per share because it was driven partly by last year's $2bn acquisition of Bally Entertainment, an all-share transaction.

This increased the number of shares in circulation from 195m in last year's first quarter to 250m this time. Even so, earnings per share rose by 37 per cent from 19 cents to 26 cents, well ahead of the 23 cents expected by analysts.

On the hotels side of the business, Hilton saw a 41 per cent advance in operating profits from $79m to $111m, with much of the improvement coming from an increase in the contribution from its top 10 properties. This rose from $47m to $67m, Hilton said.

The company also saw benefits from its acquisition last year of increased ownership interests in six full-service hotel properties from Prudential Insurance.

Like other hotel operators, Hilton has been benefiting from strong demand for rooms, driven by a combination of economic growth and a lack of new capacity coming on to the market. This has enabled it to increase occupancy levels and room rates.

In the first quarter, Hilton said, occupancy levels at its top 10 hotels rose by 2.4 percentage points to 73.9 per cent, and the average daily rate rose from $150.31 to $160.79.

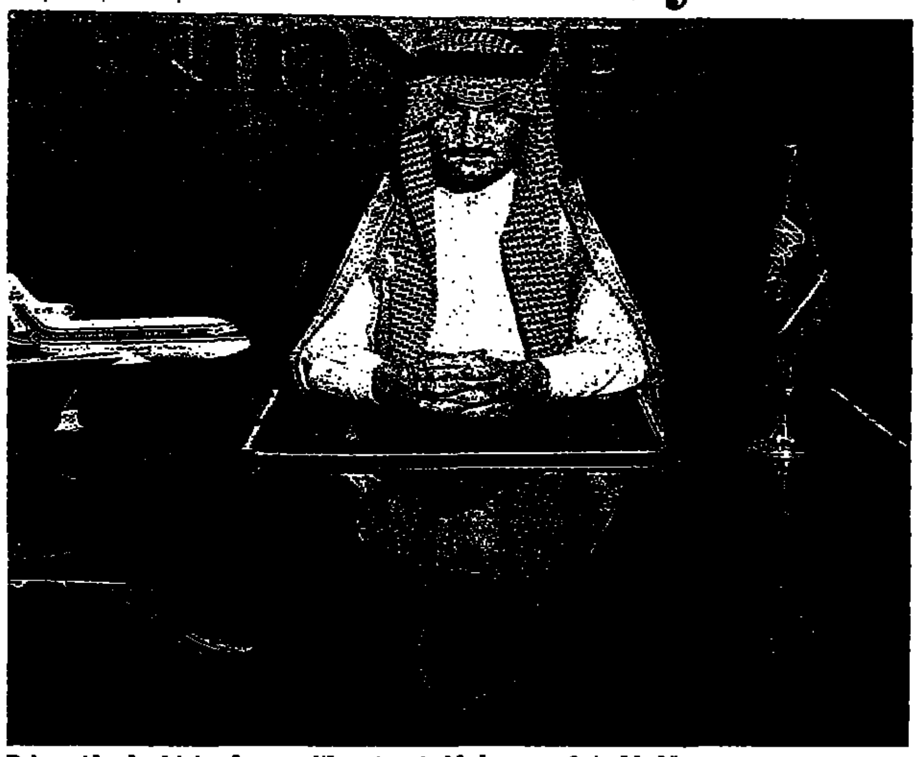
Over the hotel division as a whole, occupancy levels edged up from 71.6 per cent to 71.8 per cent, and the average daily rate rose by 8 per cent to $146.66.

The US casino sector has been suffering from overcapacity, and occupancy levels at Hilton's casino hotels fell by 1.5 percentage points to 87.2 per cent in the first quarter – although this was offset by a 4 per cent increase in average daily rates to $77.38.

But with the addition of the Bally's properties, the division's operating profits rose from $54m to $139m.

Mr Stephen Bollenbach, chief executive, expressed optimism over the outcome of the ITT bid, saying Hilton was "on track for what we are confident will be a successful conclusion".

Saudi prince links up with Planet Hollywood



Prince Alwaleed joins forces with a star-studded group of stockholders

By Christopher Parkes in Los Angeles

Prince Alwaleed Bin Talal Bin Abdulaziz Al-Saud, the Saudi investor, has joined forces with the Planet Hollywood themed restaurant chain, which yesterday reported a three-fold surge in first-quarter profits.

The group's share price surged 18 per cent to $19 early yesterday on news of the earnings and the prince's plans to develop up to 34 restaurants internationally.

The link marks a substantial advance for a company which has hitherto followed a relatively conservative expansion programme.

It opened four new Planet Hollywood restaurants in the three months to the end of March to bring the total to 57. Franchisees operate 21 of these outside the US.

The company's interests also include six music-themed Official All Star Cafes.

A dozen new company-owned restaurants are planned or under construction, mainly in the US, but also in Munich, Germany, and Cannes, France, the group said yesterday.

Prince Alwaleed, a high-profile investor with an eclectic portfolio embracing Euro Disney, Apple Computer and fashion retailer Saks Fifth Avenue, is to buy a 1 per cent share in Planet Hollywood for an undisclosed price.

He joins a star-studded group of stockholders, including the actor Arnold Schwarzenegger, one of the founders, and Tiger Woods, the new golfing sensation, who make regular appearances to attract crowds and publicity to restaurant openings.

His plans for restaurant openings – all featuring the group's blend of loud music and Hollywood memorabilia – extend across much of the Middle East and Europe.

Cities targeted for the earliest openings include Brussels, Athens, Lisbon, Cairo, Istanbul and Budapest.

The deal also gives Prince Alwaleed, nephew of the Saudi king, rights to develop the chain's latest diversification into the Official All Star Cafe and open retail-only stores which feature Planet Hollywood clothing and other merchandise.

He also has unspecified rights to develop future group franchises, including Marvel Mania, a new restaurant concept with a comic book theme.

The group's first-quarter revenue growth of 32 per cent to $102m and a rise in net income to $10.5m, compared with $3.4m, were achieved despite "softness" throughout the casual dining industry, the company said yesterday.

Future plans included a new music concept, to be announced shortly, the launch of a movie trivia game, and the arrival in time for Christmas of a Planet Hollywood Barbie doll.

AMERICAS NEWS DIGEST

Inco earnings hit by drop in prices

Inco, the Canadian nickel and copper producer, has reported first quarter earnings of US$58m, down from $63m a year ago. Inco said the drop was mainly caused by a drop in nickel and cobalt prices, increased production costs and lower deliveries of precious metals in the company's primary metals business. Inco's realised nickel price for primary products, the principal determinant of the company's profitability, averaged $3.50 a pound in the first quarter of 1997, compared with $3.78 a pound during the same period last year.

The first quarter results reflect an after-tax gain of US$36m from selling Doncasters, formerly known as Inco Engineered Products. Net sales fell to US$787m compared with $834m last year, while operating earnings fell from $150m to $80m. *Scott Morrison, Vancouver*

Bombardier lifts payout

Bombardier, the Montreal-based aerospace and transport equipment group, lifted earnings by almost a third in its latest financial year, with aircraft and leisure craft sales more than offsetting problems at some European railcar operations. The quarterly dividend has been raised from 5 cents to 7.5 cents a share.

Earnings for the year, excluding special items, rose from C$313m, or 92 cents a share, a year earlier to C$406.2m (US$291m), or C$1.18 a share, in the year to January 31. Revenues climbed from C$7.1bn to C$8bn. The 1995-96 earnings figure excluded a write-down of Bombardier's equity in Eurotunnel, which reduced net earnings to C$158m, or 45 cents a share.

The rail division's pre-tax income for the year slipped 36 per cent on stable revenues, reflecting unprofitable orders at factories in Austria and Belgium. Mr Laurent Beaudoin, chairman, said "corrective measures" should lead to improved profitability in the current financial year. Pre-tax income from aerospace for the year almost doubled from C$131.1m to C$258m, with revenues up 14 per cent.

Fourth-quarter income rose from C$105.1m, or 31 cents, to C$147.3m, or 43 cents, before the Eurotunnel write-down. Bombardier shares rose 70 cents to C$27.80 in early trading in Toronto yesterday. *Bernard Simon, Toronto*

United Technologies ahead

United Technologies yesterday reported first-quarter earnings well ahead of predictions, despite currency translation losses which cost it 3 cents a share. Earnings per share of 86 cents were 39 per cent better than last time and higher than analysts' forecasts of 80 cents.

Although operating profits slipped at its automotive division, performance improved at Pratt & Whitney, the aircraft engine operation, Otis and Carrier. Group revenues rose 5 per cent to $1.37bn. *Christopher Parkes, Los Angeles*

Reader's Digest to invest $400m

Reader's Digest has launched a four-year $400m investment programme to step up the company's publishing and promotion initiatives. The goals of the investment are customer growth in the low single digits, revenue growth in the high single digits and 10 per cent growth in operating profit and margins. Because of the investment, the company said it expects earnings to decline next year.

Reader's Digest Association said results for its latest third quarter reflect continued weak responses to promotional mailings and weakness in European economies. Revenues from US operations totaled $306.8m, down 2 per cent from a year ago. In 1996, the company reported earnings of 73 cents a share, including restructuring charges. *AP-DJ, New York*

Moore bids for Peak Techs

Moore Corporation, the world's leading supplier of document-formatted information and data-based marketing, has announced an agreed US$210m cash offer for The Peak Technologies Group, the leader in bar code-based data capture systems. The merger, at $18 a share, will firmly establish Toronto-based Moore in the US$12bn bar code-based data capture market, enhance the company's broad range of labels systems products, and increase the percentage of its revenues coming from its high technology holdings.

Moore has also announced it will acquire United Ad Label, the private Californian manufacturer of pressure-sensitive labels, for an undisclosed amount. *Scott Morrison*

Avon sales dip in US

Avon Products, the beauty and cosmetics group, announced a 1 per cent fall in first-quarter sales in the US, its biggest market, yesterday. The company's pre-tax profits fell 2 per cent. Overall, Avon reported a rise in net income per share from 28 US cents a year ago to 31 cents, helped by strong performances in Europe, the Pacific region and Mexico. *Agencies, New York*

Quaker Oats chief to go in group restructure plan

By Richard Tomkins

Quaker Oats, the US breakfast cereals group, yesterday said it would replace its chairman and carry out a big restructuring as part of its planned recovery from the disastrous acquisition of Snapple, the soft drinks company it agreed to sell to the Triarc conglomerate for $300m last month.

It also announced that net losses in the first quarter totalled $1.11bn, compared with net profits of $31.2m a year earlier.

The losses included a pretax deficit of $1.4bn on the sale of Snapple, which it bought for $1.7bn at the end of 1994.

Quaker Oats said that earnings per share would have risen from 22 cents to 24 cents without the Snapple loss, in line with analysts' expectations. The shares were up $⅝ at $38⅞ in early trading.

The company said Mr William Smithburg, the chairman and chief executive who presided over the Snapple acquisition, was stepping down after 16 years as head of the company, and a committee of directors had been formed to find a suitable successor. Mr Smithburg would stay in charge in the meantime.

The restructuring would involve a refocusing on core businesses, a share repurchase programme, and continuing cost reductions of $30m over the next 18 months in addition to the cost savings resulting from the Snapple sale.

Quaker Oats said the company was reviewing the sale of businesses outside the core Quaker Oats and Gatorade soft drinks businesses. The group's smaller brands include Aunt Jemima mixes and syrups and its Rice-A-Roni, Pasta Roni and Near East side dishes.

The first-quarter results showed that operating profits from the food side of the business slumped 22 per cent to $78m, excluding divested businesses, largely because of the continuing effects of a breakfast cereal price war in the US.

One bright spot was an increase in sales of hot cereals following the Food and Drug Administration's decision to allow health claims to be made for the benefits of eating oats.

On the drinks side, operating profits from the Gatorade business rose from $10.4m to $34.4m, driven by a 13 per cent increase in world-wide sales.

US oil groups post first-quarter gains

By Christopher Parkes in Los Angeles

The weakening of recent high prices for oil and natural gas which bolstered US energy company profits in the first quarter is expected to benefit refining and chemicals margins in the current period, Chevron said yesterday.

Meanwhile, rising production is likely to help damp the impact on earnings of declining prices in upstream operations.

Chevron, which beat analysts' earnings forecasts of $1.13 a share with a reported $1.27, said net income rose 35 per cent, from $606m last time to $831m. Excluding special items, profits reached a record $804m on revenues up 8 per cent at $11bn.

Mobil also gained ground with earnings per share up from $1.83 to $2.06 after allowing for a restructuring charge of 5 cents a share.

Operating income from upstream exploration and production operations rose 35 per cent to $694m while refining and marketing profits at this level slid 45 per cent to $132m.

Texaco and Shell Oil, which are in the process of merging the bulk of their US oil refining and retailing operations, had earlier reported strong first-quarter profits.

Bolstered by a $488m gain from a tax dispute, Texaco's earnings soared 154 per cent to $3.72 a share. Even excluding this bonus, income per share was still almost 30 per cent up at $1.84, against $1.42 a share last year and ahead of analysts' forecasts.

Shell, reporting a more modest 7 per cent advance to $517m, said its profits for the period were a record and represented a 30 per cent rise after excluding extraordinary items.

Both companies said they had benefited during the quarter from higher oil prices: the main factor behind better-than-expected profits reported on Monday by Exxon.

The Royal Dutch/Shell subsidiary said US oil production rose during the quarter, and progress was helped by higher sales of oil and chemicals.

Reflecting the trend in refining and marketing, Mr Peter Bijur, Texaco chairman, said US downstream results were unchanged on the year, while Shell said income from oil products fell $59m to $12m.

Phillips Petroleum yesterday posted earnings per share of 86 cents, below forecasts, and net income up 18 per cent at $247m, compared with $210m last time.

Upstream profits were 34 per cent higher despite a 4 per cent drop in oil and gas production, while refining and marketing income rose marginally despite lower refinery capacity use.

INTERNATIONAL CAPITAL MARKETS

Europe follows French OATs higher

GOVERNMENT BONDS

By Michael Lindemann in London and John Authers in New York

French OATs again became the focus of market attention yesterday and positive reaction to the French election helped Europe's other main bond markets higher.

While many investors took a generally positive view of the snap poll, Mr Mark Fox, European strategist at Lehman Brothers, said others were concerned by a "potential disaster downside", given that a single currency might be still-born if the right wing loses the election.

While opinion polls remain scarce and most voters are not yet focused on the elections, Mr Fox said some investors were plagued by the uncertainty.

"Historically there can be very big swings in France – that's what concerns people. There can be swings of around 15 to 20 per cent."

He added, however, that investors had generally taken the view that there was too much negative news, helping OATs prices upwards. The June notional future closed up 0.18 on the day at 128.60.

Ms Joanne Perez, analyst at Merrill Lynch in Paris, pointed out that concerns about a possible Socialist victory were likely to hit the shortest-dated instruments, including the franc and Pibor.

"The lack of margin for a new government of the right or left to radically change the tight fiscal/loose monetary policy mix should largely underpin prices at the long end of the French yield curve," Ms Perez said.

UK gilts were also excited by election talk after the ICM poll, which had started the markets fluttering on Tuesday afternoon, showed Labour's lead even lower than expected.

"The market had factored in a smooth passage into power for the Labour party," said Mr Kevin Adams, gilts strategist at BZW. "The poll has therefore exposed a bit of a raw nerve."

The £2bn auction of 7 per cent 2002 gilts was covered 3.49 times. Analysts said demand was stronger than expected because the bond was a new benchmark and was strippable.

The June long gilt picked up $\frac{5}{32}$ to close at 109½.

German bunds rose slightly in what analysts said was an "uninspiring" market. The June bund future ended 0.13 higher at 100.81. The second tranche of a July 2007 strippable bond went reasonably well, they said, although some had expected higher demand given that it is only the second strippable bund.

Some of the day's strongest gains came from Spanish bonos which were enthused by confirmation from the European Commission that Spain was likely to meet its 3 per cent budget deficit target this year, strengthening its case to join the first wave of EMU.

Bonos ended the day at 113.26, up 0.37. The 10-year yield spread over bunds tightened 4 basis points to 104 points.

US Treasuries fell yesterday morning ahead of a $12.5bn auction of five-year US Treasury bonds. At mid-session, the benchmark 30-year Treasury bond was down $\frac{1}{8}$ at 94$\frac{11}{16}$, yielding 7.061 per cent. The two-year bond was unchanged, yielding 6.443 per cent.

Sentiment remained bearish about political developments, with Republican and Democrat leaders in the Senate saying it was unlikely they would reach a budget deal this week. Hopes that these talks could be speedily resolved had helped fuel the market on Tuesday.

There seemed few serious worries about the auction, with dealers expecting the notes to be awarded at a yield of 6.75 or 6.76 per cent.

Strong demand for novel BNP offering

INTERNATIONAL BONDS

By Samer Iskandar

The French franc sector was one of the most active yesterday, in spite of the uncertainty caused by President Jacques Chirac's decision to call an early election.

"The market is ignoring politics," said a banker in Paris. "The franc is holding up well [against the D-Mark] and [OAT] yield spreads over bunds have barely widened."

Banque Nationale de Paris launched the first franc perpetual/step-up bonds, a structure that qualifies the proceeds as upper-tier II capital for regulatory purposes.

"We believe this will constitute a benchmark for the French franc market," said Ms Martine Billeaud, BNP treasurer.

Merrill Lynch, which led the FFr1.25bn deal jointly with BNP, said it found "tremendous appetite among investors", with demand exceeding FFr1.5bn. This was helped by extensive pre-marketing, including "a lot of one-to-one visits with investors", Ms Billeaud said.

She said BNP had "considered other markets, but conditions were not at their best, especially in the US".

Merrill Lynch explained that the yankee market was relatively unattractive due to the general widening of spreads in the past month, following the Fed's decision to raise interest rates.

Ford Motor Credit launched the day's largest transaction, FFr3bn in two tranches. Société Générale, joint lead manager with BNP, said the transaction went well.

"We knew there was demand in six years, because there has been little supply," said a SocGen official. "In the 12-year area, there is sufficient demand when the spread is attractive."

Housing New Zealand, a government agency providing low-income housing, tapped the dollar sector. CSFB, which led the deal jointly with UBS, said it met a good reception, mainly from institutional investors, with help from a road-show.

A road-show was also organised by BZW for Carrefour, the French supermarket chain, which has the second largest capitalisation on the French stock exchange. Carrefour is one of the country's largest retailers, with additional activities in Asia and Latin America. BZW said sales were good at the re-offer price and expects to see continuing demand.

Porsche, the German car manufacturer, also made its bond market debut, with DM200m of five-year bonds.

The lira sector saw the return of plain-vanilla investment grade bonds, with a L300bn five-year issue by DSL Bank.

BNP, one of three lead managers, said as a result of volatility in Italian interest rates, recent issues in lire had been dominated by emerging market transactions, or structured products. "There have been no benchmark bond issues in a long time," said an official.

The bank said it met strong demand, because existing issues had become expensive on the secondary market. "Triple-A bonds are trading at [a yield of] 30 or 40 basis points below lira Libor rates," the official said. DSL's paper was launched with a yield of 20 basis points through Libor.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
Chase Manhattan Corp ‡	500	(a)	99.914R	May 2002	0.175R	-	Chase Man/Morg Stanley
World Bank IBRD	300	6.63	99.662R	May 2001	0.225R	+4(5¾%-00)	SBC Warburg
Kyushu Electric Power Co	300	7.25	99.535R	May 2007	0.350R	+37(6¼%-07)	Goldman Sachs
Carrefour Supermarché	250	6.875	100.0R	May 2000	0.225R	+20	BZW
Housing New Zealand	200	7.25	99.858R	May 2004	32.50R	+38(7¼%-04)	CSFB/UBS
COFIL	150	9.75	99.618R	May 2005	[illegible]	[illegible]	Santander Inv/Salomon
D-MARKS							
National Bank of Canada ‡	250	(b)	99.986R	May 2002	0.150R	-	Salomon AG
Porsche Int Financing	200	4.87	99.84R	May 2002	0.250R	-	Deutsche Morgan G'fell
FRENCH FRANCS							
Ford Motor Credit (c)	1.5bn	5.25	99.293R	May 2003	0.350R	+32	BNP/SocGen
Ford Motor Credit (d)	1.5bn	6.25	99.514R	May 2009	0.450R	+40	BNP/SocGen
Banque Nationale de Paris	1.25bn	6.50(e)	99.907R	Perpetual	0.625R	+73	BNP/Merrill Lynch
SWISS FRANCS							
Credit Suisse Group (f)	750	4.00	101.625	May 2007	std	-	CSFB
ABB Int Finance (g,s)	100	3.00	102.05	Sep 2002	2.0	-	UBS
ITALIAN LIRE							
DSL Bank	300bn	7.00	101.622	May 2002	1.875	-	BNP/CSFB/San Paolo
DUTCH GUILDERS							
Bank Nederlandse Gem	500	6.13	98.94R	May 2012	0.375R	+20	ABN AMRO Hoare Govett
LUXEMBOURG FRANCS							
Commerzbank International (i)	2bn	5.50	102.45	Aug 2004	1.875	-	Bqe Gen/Commerzbank
SPANISH PESETAS							
World Bank	15bn	5.37	101.02	May 2000	1.375	-	BSN/UBS
NEW ZEALAND DOLLARS							
Bayerische Vereinsbank (l)	100	8.25	101.22	May 2001	1.75	-	Hambros Bank

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ‡ Floating-rate note. R: Fixed re-offer price; fees shown at re-offer level. a) 3mth Libor +5bp. b) 3mth Libor +¼. c) Tranche A. d) Tranche B. e) To yr 10 then steps up to 3mth-Pibor +2%. Call at par 21/5/07. f) Re-opening clause. g) Fungible on pay date, original launched 10/2/97. i) Interpolated yield. l) Long 1st coupon. s) Short 1st coupon.

CAPITAL MARKETS NEWS DIGEST

S&P takes fresh look at sovereigns

Private sector borrowers in Argentina will for the first time have higher credit ratings than the country's sovereign ceiling as a result of a new approach adopted by Standard&Poor's, the US rating agency.

S&P said yesterday it had come to the conclusion that "sovereign credit risk now is less a factor affecting ratings of issuers in certain dollarised economies". As a result, the agency has upgraded the ratings of several Argentine borrowers, some to investment grade – two notches above the Republic's BB rating.

S&P believes that "once dollarisation passes a certain threshold – 40 per cent of measured financial assets – it is difficult to reverse". Instead, "it is accommodated by adaptations in the marketplace".

The new foreign currency ratings awarded to private borrowers, S&P said, "will more fully reflect their stand-alone credit characteristics".

The new policy was also applied to one Panamanian issuer – Banco General – which received a counterparty rating of BBB–, one notch higher than the Republic of Panama.

Samer Iskandar

DTB extends trading hours

The DTB, the derivatives exchange of Deutsche Börse, is extending trading hours on its interest rate derivatives, to improve access to overseas traders. Trading in Bund and Bobl futures and options, as well as Schatz futures and one-month and three-month euromark futures, will be extended from 5.30pm (Frankfurt time) to 7pm from August 1.

The implementation of longer hours brings the DTB's closing time in line with that of competing products listed on Liffe, the London Financial Futures and Options Exchange.

The decision is partly motivated by the need to accommodate US traders who, because of the time difference, can trade only during the European afternoon.

The DTB said it had 25 members linked to its electronic trading system from London and seven from the US.

Samer Iskandar

Loan for Polish phone group

Polska Telefonia Cyfrowa-Era GSM, the first central European telecoms company to plan an issue of high-yield bonds in the US yankee market, is in negotiations with banks for a syndicated loan of up to $400m. The long-term loan, from a consortium of foreign banks led by Citibank, of the US, is set to be the largest obtained by a Polish company.

Era GSM is one of two Polish companies awarded licences to operate GSM mobile telephone networks in February 1996. It has been operating since September and claims to have upwards of 130,000 subscribers.

The junk bond issue is expected to be launched this summer, with Salomon Brothers as lead manager.

Samer Iskandar

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		6.750	11/06	92.8200	-0.080	7.83	7.82	7.81
Austria		5.750	04/07	99.1700	+0.250	5.86	5.86	5.84
Belgium		6.250	03/07	101.9800	+0.120	5.96	5.96	5.78
Canada *		7.000	12/06	101.9000	+0.080	6.73	6.81	6.45
Denmark		8.000	03/06	108.5200	+0.320	6.55	6.56	6.33
France	BTAN	4.750	03/02	102.8696	+0.160	4.83	4.77	4.57
	OAT	5.500	04/07	97.8500	+0.090	5.79	5.71	5.49
Germany Bund		6.000	01/07	101.1700	+0.200	5.83	5.85	5.67
Ireland		8.000	08/06	108.4500	+0.140	6.74	6.71	6.62
Italy		6.750	02/07	94.9300	+0.180	7.49†	7.42	7.51
Japan	No 143	6.300	09/01	120.1701	-0.130	1.44	1.41	1.30
	No 182	3.000	09/05	106.0528	-0.200	2.15	2.15	2.30
Netherlands		5.750	02/07	98.9900	+0.140	5.75	5.78	5.65
Portugal		9.500	02/06	117.6600	+0.450	6.77	6.73	6.82
Spain		7.350	03/07	103.2600	+0.520	6.87	6.92	6.96
Sweden		8.000	08/07	105.1836	+0.510	7.25	7.17	6.89
UK Gilts		7.000	06/02	98-27	+3/32	7.27	7.24	6.84
		7.250	12/07	97-22	+3/32	7.57	7.54	7.31
		9.000	10/08	110-04	+4/32	7.66	7.63	7.40
US Treasury *		6.250	02/07	95-25	+4/32	6.85	6.92	6.58
		6.625	02/27	94-20	+9/32	7.06	7.13	6.85
ECU (French Govt)		7.000	04/06	105.2600	+0.200	6.22	6.08	6.00

London closing. *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

BOND FUTURES AND OPTIONS

France — NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	128.70	128.60	+0.18	128.76	128.56	97,243	166,697
Sep	127.18	127.04	+0.16	127.18	127.04	152	6,442
Dec	96.72	96.60	+0.18	96.72	96.72	2	-

Germany — NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	100.84	100.81	+0.13	100.95	100.74	159712	272851
Sep	99.80	99.74	+0.13	99.86	99.70	14340	15751

Spain — NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	113.08	113.26	+0.37	113.50	113.05	91,263	84,037
Sep		112.42	+0.39				3

UK — NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	109-16	109-16	+0-03	109-25	109-13	42376	171684
Sep	109-20	109-11	+0-03	109-20	109-11	184	2711

Ecu — ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	93.60	93.60	+0.20	93.90	93.60	2,155	8,213
Sep		93.42	+0.20				

US — US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	108-08	108-03	-0-01	108-11	108-01	292,723	451,543
Sep	107-25	107-20	-0-02	107-25	107-20	2,340	37,337
Dec		107-09				101	6,139

Japan — NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Jun	126.70			126.75	126.59	2274	n/a
Sep	125.43			125.47	125.43	210	n/a

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FTSE Actuaries Govt. Securities

Price indices UK Gilts	Wed Apr 23	Day's change %	Tue Apr 22	Accrued interest	xd adj. ytd
1 Up to 5 years (19)	120.15	0.04	120.10	2.68	3.48
2 5–15 years (20)	149.31	0.08	149.18	3.04	3.12
3 Over 15 years (7)	169.65	0.16	169.58	3.11	3.16
4 Irredeemables (5)	195.22	-0.08	195.34	4.38	2.37
5 All stocks (51)	143.83	0.08	143.71	3.27	3.34
Index-linked					
6 Up to 5 years (2)	203.40	0.06	203.27	0.36	3.03
7 Over 5 years (10)	195.07	0.09	194.90	1.29	2.32
8 All stocks (12)	194.89	0.08	194.72	1.19	2.37

UK Indices

	Low coupon yield Apr 23	Apr 22	Yr. ago	Medium coupon yield Apr 23	Apr 22	Yr. ago	High coupon yield Apr 23	Apr 22	Yr. ago
5 yrs	7.31	7.32	7.51	7.36	7.37	7.55	7.42	7.42	7.56
15 yrs	7.70	7.71	8.18	7.71	7.72	8.20	7.80	7.82	8.29
20 yrs	7.77	7.78	8.24	7.74	7.76	8.26	7.80	7.82	8.32
Irred.†	7.83	7.82	8.29						

FT Fixed Interest Indices

	Apr 23	Apr 22	Apr 21	Apr 18	Apr 17	Yr ago	High*	Low*
Govt. Secs. (UK)	93.87	93.90	94.12	94.15	94.40	92.67	96.62	93.31
Fixed Interest	116.63	116.78	117.02	116.98	116.98	112.28	120.18	115.32

Gilt Edged Activity Indices

	Apr 22	Apr 21	Apr 18	Apr 17	Apr 16
Gilt Edged bargains	NA	NA	NA	NA	NA
5-day average	NA	NA	NA	NA	NA

FT/ISMA INTERNATIONAL BOND SERVICE

UK GILTS PRICES

Other Fixed Interest

TECHNOLOGY

Vanessa Houlder begins a series on lasers by looking at the newest developments

Light years before its time

When the first manmade laser beam – a bright pulse of deep red light – was demonstrated at the Hughes Research Laboratory in 1960, it was little more than a laboratory curiosity. It was dubbed "a solution looking for a problem" – and for years, the tag looked as if it deserved to stick.

Lasers still arouse intense scientific curiosity. But the real wonder now is their ubiquity. From supermarkets to nightclubs, from hospitals to shipyards, lasers have become an essential part of everyday life. It is increasingly difficult to print a letter, play recorded music or even make a telephone call without using laser technology.

By 1992, the civil world laser market was worth about $1.5bn and was growing at 8 per cent compound a year, according to Frost & Sullivan, market researchers. The market could now be poised for even faster growth if a number of research projects come to fruition.

They include the development of blue gallium nitride lasers, which emit light with a significantly shorter wavelength than existing lasers. The pioneering prototype was made last year by Nichia Chemical Industries in Japan, followed by others including Toshiba. A commercial version could be ready by the end of this year.

Researchers have reacted enthusiastically to this breakthrough – and the related development of blue light-emitting diodes for flat panel displays.

One beneficiary could be television: miniaturised lasers might be used to shine brilliant, clear pictures on to big screens. But blue lasers are most likely to be used in enhancing compact discs' data storage capacity. The tiny pits pressed into a CD's surface are "read" by laser beams that must be as narrow as the pits. Four times as much information could be stored and read using blue lasers.

Another way to use lasers to store data employs three-dimensional images, or holograms. These holograms are made by splitting light from a laser in two, shining one beam at the object and recording the resulting "interference pattern". The image can be retrieved by shining another beam at it.

Researchers at Georgia Institute of Technology have found a way to store and erase holographic data on a liquid crystal. The entire Library of Congress could fit on to a 3-D holographic memory system the size of a PC monitor, they say.

Another long-standing application of lasers is in measurement, where tremendous precision can be achieved by comparing the distances that different beams of light travel. New laser measurements range from checking overhead power lines for high-speed trains to measuring greenhouse gases in the atmosphere.

Another important laser application depends on lasers' ability to burn through materials. The laser produces light of a single frequency and intensity, which can be focused to produce an intensely powerful beam. The ability to make precise incisions has proved highly attractive to surgeons. Lasers were first used medically in 1961 to treat skin discoloration and to repair detached retinas.

Photodynamic therapy, in which a light-sensitive drug is made to accumulate in cancer cells and then illuminated with a low-power laser is becoming a viable treatment. Applying a similar concept to dentistry, scientists at Manchester University have applied a photosensitising dye to bacteria on teeth and irradiating with pulsed light to inactivate the bacteria.

From supermarkets to nightclubs, lasers have become an essential part of everyday life

Lasers are also finding new uses in cosmetic surgery. Coherent, a Californian laser company has won approval for a skin "resurfacing" technique that treats wrinkles by stimulating the production of collagen underneath the skin, using a laser.

Overall, worldwide surgical laser sales are set to grow at 13 per cent a year to reach about $470m by 2001, according to a 1995 report by Frost & Sullivan.

The cutting ability of lasers is also growing in importance in industry. When it comes to drilling, marking and cutting, the accuracy of a laser reduces costs and limits the need for expensive corrections.

But the use of lasers by industry have been limited by their high initial costs and the conservatism of users, prompting the European Commission to set up programmes to encourage their use. In the UK, the Department of Trade and Industry and the Confederation of British Industry, the employers' body, have backed a programme designed to help UK manufacturing industry increase productivity and reduce costs.

A novel set of industrial laser applications are under development in the US, including a chemical-free method of making stain-resistant rugs and a technique for making polyester feel more like a natural fabric. A consortium led by such companies as DuPont, 3M, International Business Machines, Xerox and AT&T have joined forces with universities and the US Energy department in building a "free-electron laser" at the Thomas Jefferson National Accelerator Facility.

The laser's light, which is generated by highly energised electrons, will be more powerful, cheaper and more easily tuned to different colours than conventional lasers. As a result the consortium members think they may be able to use it to improve the adhesive qualities and alter the texture of metals and polymers.

The free-electron laser may also have military applications. Researchers are studying the feasibility of using free-electron lasers on ships to shoot down missiles.

The idea of using lasers as weapons, which was embodied in the ambitious Star Wars project of the 1980s, has immense theoretical attractions because their speed would allow to knock out missiles as they are launched.

In spite of many setbacks, the concept continues to be pursued vigorously.

The idea of laser weapons shooting down enemy missiles sounds like science fiction. But laser research has had a habit of defying the sceptics by delivering applications that had seemed impossible, or unimaginable, or both.

Looking to the future, the next wave of remarkable applications could be the work of the atom laser – a device that fires a beam of "matter waves", just as conventional lasers emit a stream of light rays. This extraordinary development was demonstrated for the first time in January, by scientists at the Massachusetts Institute of Technology.

Applications of the laser-like atoms are a long way off. They need more power and less complexity, according to Wolfgang Ketterle of MIT. Moreover, they only exist in an extreme vacuum, which rules them out for everyday applications such as supermarket scanners or CD players.

Nonetheless, the atom laser could have huge scientific and industrial potential. The promise of nanotechnology could become a reality if tiny electronic circuitry and other minute devices could be constructed using ultrathin beams of focused atoms.

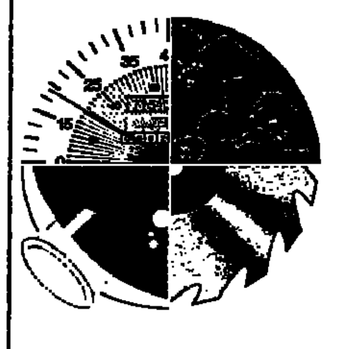
"Today, if you have a demanding job for light, you use a laser," says Ketterle. "In the future, if there is a demanding job for an atomic beam, you may be able to use an atom laser."

The laser beam

Laser is an acronym for 'light amplication by stimulated emission of radiation'. Laser light has a single frequency and wavelength and is emitted from a single source. A laser beam is created by subjecting a substance – solid, liquid or gas – to energy which excites its atoms, which then emit light of a specific wavelength.

Mirrors around the excited atoms amplify the light until the laser emits vast numbers of identical light particles, or photons. This light can travel huge distances without dispersing. It can be focused on very small areas, carry information and apply intense energy to small areas.

Worth Watching · Vanessa Houlder



Chip to sniff out pollutants in soil

Scientists in the US have combined integrated circuits with a biological sensor to make a half-living, half-silicon chip that can detect chemicals such as pollutants and explosives in soil and water.

Researchers at the Department of Energy's Oak Ridge National Laboratory have developed a prototype hybrid chip based on a micro-organism that produces light as it breaks down hazardous waste.

The scientists believe it could replace existing optical detection systems that use optical fibres buried in the ground. The hybrid chip could have several advantages over the conventional technology in that it is small, inexpensive, wireless and provides information quickly.

The chips can be produced using standard integrated circuit manufacturing processes. Other potential uses include medical diagnostics and monitors for industrial processes.

Oak Ridge National Laboratory: US, tel 423 5760226; http://www.ornl.gov

Tomato genes shrug off wilt

The discovery of genes that make tomatoes resistant to wilt, a disease spread by a soil-borne fungus, could speed up the breeding of disease-resistant varieties and reduce chemical spraying.

The work will make it easier to breed new varieties by making it simpler to trace the genetic make-up of new hybrids. It may also make it easier to engineer genetically new varieties which have the required mix of properties.

The work was conducted by an Israeli-American team of scientists headed by researchers at the Weizmann Institute of Science.

Until now, plant breeders have relied on classical breeding techniques, a laborious process that can take years to bring wilt disease under control.

Weizmann Institute: Israel, tel 97289343852; fax 97289344104.

Laptop batteries get a new charge

US researchers have developed a relatively inexpensive process that could potentially double the life of rechargeable batteries used in laptop computers.

Most rechargeable batteries are made up of a number of individual battery cells that are strung together in a series. The performance of the battery is limited by the weakest cell in the series.

The researchers at the University of Illinois at Urbana-Champaign have found a way to equalise the charge between different cells without overcharging the string, a process that damages the cells and shortens the batteries' life. Their technique uses capacitors and switching networks to extract energy from the highly charged cells and deliver it to cells with a lower charge.

University of Illinois: US, tel 2173331085; fax 2172440161.

Chaos harnessed to curb eavesdropping

French scientists have developed a technique for encrypting optical signals based on chaos theory, which governs non-linear systems.

Their research is designed to overcome problems with unauthorised eavesdropping on optical fibre transmission networks. Part of the problem is that conventional encryption techniques are too slow to be used for signals carrying large amounts of information.

The researchers, based at France Télécom and the Université de Besançon, used a laser diode and a non-linear system to encrypt and decrypt an optical signal at high-bit rates.

Université de Besançon: France, tel 0381666400; fax 0381666423.

COMMODITIES AND AGRICULTURE

Bre-X says Busang does contain gold

By Bernard Simon in Toronto

Bre-X Minerals shares jumped after the Calgary-based exploration company said it had found further evidence of gold at the Busang property in Indonesia. The shares were up sharply to C$3.50 in heavy trading early yesterday. At their peak last year they hit C$28.65.

Analysts warned, however, that the latest drilling results raised the same doubts as earlier samples from Busang, whose authenticity was questioned last month by Freeport-McMoRan Copper and Gold, a prospective partner in the deposit.

Bre-X claimed in February that Busang contained at least 71m ounces of gold, making it the biggest discovery since South Africa's Witwatersrand. But Freeport said its drilling found "insignificant" traces of gold. Bre-X has also acknowledged a "strong possibility" that it may have over-estimated the reserves.

Yesterday's results announced by Bre-X came from samples recovered after the 71m-ounce estimate in early February but before doubts were cast on the deposit in late March.

According to the results, 16 out of 22 holes yielded grades of between 1.05 and 6.67 grammes per tonne. The other six holes contained insignificant amounts of gold.

Strathcona Mineral Services, a Canadian consultancy, is currently undertaking an independent audit of drill samples from Busang. Results are expected in the first week of May.

According to reports from Jakarta, Mr Jim Bob Moffett, Freeport chief executive, met President Suharto twice last week to discuss the future of the Busang property.

Freeport earlier agreed to acquire a 15 per cent stake in Busang, with Bre-X owning 45 per cent and local Indonesian interests the remaining 40 per cent.

Further details of Freeport's views may emerge at its annual meeting, to be held next Tuesday in New Orleans.

Mr Rob Klassen, analyst at Goepel Shields, a Vancouver securities firm, described the results as "pretty high". But he added that "until we know how these samples were handled along the way, we can't really make a call on it".

Another analyst estimated Busang would need to contain at least 30m ounces of gold to justify the present share price.

Analysts remain puzzled by many aspects of the Busang saga. Suspicions continue to centre on an elaborate "salting" operation.

But no evidence of wrongdoing has yet emerged, apart from the mysterious death of Mr Michael de Guzman, a senior Bre-X geologist, who fell out of a helicopter above Borneo shortly before Freeport revealed its findings.

Bre-X officials claim in private that they are the victims of a sophisticated effort to drive the company out of Indonesia.

LME chief puts focus on transparency

David King has worked hard to improve the market after the Sumitomo copper scandal

Mr David King, chief executive of the London Metal Exchange has been, and to some extent still is, subjected to that old Chinese curse: "May you live in interesting times."

Hired in September 1989 as the LME's first director of finance, and chief executive since November 1989, the 50-year-old Mr King says: "I felt it [the LME] was a sleeping giant when I first arrived." Indeed, during his tenure the exchange's annual turnover has increased seven-fold and now stands at $2,000bn.

But the giant stumbled on June 14 1996, when Sumitomo Corporation, the Japanese trading house, acknowledged that its senior copper dealer, Mr Yasuo Hamanaka, had over a decade lost $1.8bn (later revised to $2.6bn) in unauthorised dealings.

The exchange then came under a fierce spotlight, with critics accusing it of failing to detect sufficiently early such a mammoth alleged manipulation of the global market price of copper.

To a large extent, this was a misdirected attack; Sumitomo was not an LME member and was outside the LME's – and the Securities and Investments Board's – jurisdiction. However, the Sumitomo incident had shattering commercial and legal consequences, the reverberations of which linger on.

But beneath those dramas, the incident has stimulated a far-reaching investigation into the regulatory orbit the LME operates in.

When the Sumitomo incident broke, the LME invited the SIB to review the metals markets and itself. The SIB published its wide-ranging conclusions in December; since then Mr King and his board have been implementing its recommendations.

The complex regulatory changes have a single focus – ensuring the LME is operating as transparent a market as is compatible with commercial viability.

Mr King argues that his exchange has been successful in attracting business, partly because metal producers, users and brokers "like the LME's regulatory regime . . . They would go elsewhere if we became either too tightly or too lightly regulated."

The LME now accounts for more than 90 per cent of copper traded on exchanges, and almost 100 per cent of all other base metals.

One of the SIB's key proposals was that the balance of the LME's board should alter, to better represent the exchange's different members. The board is also to be expanded from 16 to 18 to include more independent directors.

"By virtue of their independent role, the two new members – yet to be selected – must have no conflict of interest, and will not be involved in the metal trade in any way," says Mr King.

Another key SIB recommendation was to expand the LME's executive, to cope with the vast quantities of information accumulated daily by the exchange. The LME is thus increasing its executive by 10, to about 50 people. "These additional staff will be recruited primarily for the compliance area and will be at a very senior level," says Mr King.

Other SIB recommendations have already been implemented, including a daily (as opposed to weekly) reporting of LME warehouse stocks. This yields a more immediate insight into the physical liquidity of the market and traders say it has reduced volatility.

Other procedures aimed at providing a more rigorous audit trail will soon follow, including improved mechanisms to follow the movement of warrants (the paper proving physical ownership of LME metal stocks) to establish more precisely who owns what metal.

Perhaps most interesting, Mr King says the LME is considering imitating some US regulatory practices used by the Commodity Futures Trading Commission.

"While we already operate a large position reporting system, we will probably develop a hybrid of the CFTC's requirement that *all* large positions in a market must be reported, and we will publish certain data in regard to such positions."

The buzz-word among LME critics is transparency, but it is not a dogma that Mr King is going to follow blindly.

"It's in no-one's interest to have such excessive transparency that business will flee the market, reducing liquidity and increasing volatility. More seriously, business that left the LME would be transacted on the unregulated market, meaning the regulatory authorities would be even *less* able to police it," he says.

So are Sumitomo incidents a thing of the past? Given that as much global metals' trading is conducted outside the LME as within it, no-one is calling that bet.

But Mr King is cautiously of the view that such a major warping of the market is less likely to be repeated, thanks to greater dissemination of information.

"We will provide significantly more data to market participants in order that our members and their clients have greater knowledge of what is happening in the market," he says.

Gary Mead

David King: producers, users and brokers 'like the LME's regulatory regime' Brendan Corr

Copper cash premium up

MARKETS REPORT

By Gary Mead and Robert Corzine

On the London Metal Exchange, copper's backwardation – the premium of the cash price over that for the three-month future contract – extended further yesterday, to $115 in early trading. After the end of afternoon "kerb" trading stretched that still further, to $160, when the three-month contract hit $2,367, up $19.

Traders pointed to the strike at Chile's Escondida mine and a six-month maintenance shutdown at the Kennecott smelter in the US as factors behind the tightness in the physical market.

Cocoa futures on the London Financial and Futures Exchange were lifted by moderate trade buying: the May contract ended £12 higher at £1,018 a tonne, while July increased to £1,038, up £14 on the previous day's close. Robusta coffee futures for July ended the day $7 a tonne higher, at $1,662, after $1,670.

Oil prices fell in late trading after the latest inventory data from the US failed to boost the world markets.

American Petroleum Institute figures showing a draw-down of gasoline stocks helped push Brent Blend for June delivery above $18 a barrel in early London trading. But data released later by the US government's Energy Information Administration, showing gasoline stocks unchanged on the week, helped push prices below Tuesday's close of $17.96 a barrel. In late trading Brent was quoted at around $17.7 a barrel.

Colombia changes oil and gas regime

By Robert Corzine

Colombia will continue to amend its oil and gas fiscal regime to attract greater investment in exploration and production, according to Mr Antonio Jose Urdinola-Uribe, the new head of Ecopetrol, the state oil company.

He said particular emphasis will be placed on new rules to encourage the development of smaller oil fields, as well as exploration in frontier areas and for gas.

Talks with foreign companies are currently being held to find out what changes need to be made in the contracts which govern investment in the Colombian oil and gas sector.

Mr Urdinola-Uribe said he expected early progress on a new regime for small field developments, although more consultations will be needed for frontier area legislation.

The government was also committed to developing a separate contract for gas exploration, he said. These would run for longer periods than the present contract, which covers both oil and gas. The expanded period for gas reflects the longer time needed to link gas discoveries to new markets.

Mr Urdinola-Uribe said the revised contracts were needed if Colombia was to enjoy an extended period of high oil production. Oil output is expected to reach 1m barrels a day within two years, but Ecopetrol doubts it can be maintained at that level until 2004-05 unless there is greater exploration activity. Colombia hopes to have sufficient production to remain an exporter for at least 15 years.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE (Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1570-71	1603.5-04
Previous	1554.5-55.5	1589-90
High/low		1612/1596
AM Official	1571.5-72.5	1605.5-06
Kerb close		1602-03
Open int.	275,778	
Total daily turnover	67,576	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1463-68	1490-93
Previous	1440-45	1470-72
High/low		1490
AM Official	1460-65	1487-90
Kerb close		1490-95
Open int.	5,945	
Total daily turnover	1,089	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	635-6	641-2
Previous	633.5-34.5	639-40
High/low		643/638
AM Official	634-5	638-8.5
Kerb close		638-40
Open int.	36,428	
Total daily turnover	7,641	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	7345-55	7460-70
Previous	7310-20	7425-35
High/low	7305/7302	7520/7410
AM Official	7301-02	7419-20
Kerb close		7470-80
Open int.	49,992	
Total daily turnover	9,998	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5780-90	5810-15
Previous	5775-85	5810-15
High/low		5850/5810
AM Official	5795-805	5815-20
Kerb close		5810-20
Open int.	16,407	
Total daily turnover	3,719	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1257-58	1280-81
Previous	1235-36	1258-59
High/low	1250.5	1283/1263
AM Official	1250.5-51	1272.5-74
Kerb close		1262-63
Open int.	88,112	
Total daily turnover	21,207	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2500-05	2358-59
Previous	2410.5-12.5	2320-21
High/low	2484/2480	2373/2345
AM Official	2482-84	2352-53
Kerb close		2365-67
Open int.	135,141	
Total daily turnover	47,686	

■ LME AM Official £/$ rate: 1.6325

LME Closing £/$ rate: 1.6240

Spot: 1.6221 3 mths: 1.6201 6 mths: 1.6177 9 mths: 1.6155

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Apr	113.85	+3.15	114.10	110.80	1,302	1,342
May	112.80	+2.90	113.80	109.50	10,623	16,227
Jun	111.40	+2.30	111.80	109.10	274	1,875
Jul	110.45	+1.95	111.10	108.40	5,800	12,535
Aug	108.55	+1.25	108.20	107.60	94	901
Sep	107.20	+1.40	108.00	106.10	674	4,607
Total					18,770	49,516

PRECIOUS METALS

■ LONDON BULLION MARKET (Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	340.60-341.10		
Opening	340.60-341.00		
Morning fix	340.70	208.38	496.61
Afternoon fix	341.00	209.59	498.71
Day's High	341.50-341.70		
Day's Low	340.40-340.70		
Previous close	341.30-341.80		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month ....4.57 6 months 4.56
2 months ....4.55 12 months 4.65
3 months 4.56

Silver Fix	p/troy oz.	US cts equiv.
Spot	289.00	472.25
3 months	293.05	476.20
6 months	297.40	484.65
1 year	306.55	498.25

Gold Coins	$ price	£ equiv.
Krugerrand	342-344	211-212
Maple Leaf	-	-
New Sovereign	80-83	49-51

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Apr	341.5	-0.1	341.7	341.0	79	370
May	342.0	-0.1	-	-	-	-
Jun	343.3	-0.1	343.5	342.3	11,615	74,784
Aug	345.9	-0.1	346.1	345.0	413	16,423
Oct	348.5	-0.1	348.7	348.7	95	6,256
Dec	351.3	-0.1	351.2	350.6	597	21,619
Total					12,986	162,911

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Apr	375.4	+1.0	-	-	4	6
Jul	374.4	-2.0	376.6	372.0	956	12,345
Oct	375.9	-2.2	376.9	374.0	15	2,916
Jan	378.1	-2.2	377.0	377.0	2	1,174
Total					1,429	16,448

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jun	155.00	+0.25	155.40	153.20	511	6,741
Sep	155.00	+0.25	154.60	154.60	15	2,737
Dec	155.75	+0.25	-	-	-	326
Total					457	9,807

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Apr	472.1	+1.1	-	-	2	1
May	472.5	+1.0	474.0	467.5	9,427	38,034
Jul	477.3	+1.0	479.0	472.5	4,958	36,998
Sep	482.1	+1.0	482.5	479.0	482	4,121
Dec	489.5	+1.0	490.0	485.0	358	6,435
Jan	492.1	+1.0	-	-	-	17
Total					18,236	98,005

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Jun	19.65	+0.06	19.78	19.55	64,730	114k
Jul	19.67	+0.10	19.77	19.60	11,912	51,014
Aug	19.65	+0.12	19.73	19.60	6,558	29,065
Sep	19.62	+0.12	19.66	19.62	4,042	18,364
Oct	19.58	+0.09	19.64	19.57	624	15,994
Nov	19.63	+0.15	19.63	19.60	609	12,747
Total					122,497	422,533

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Jun	17.99	-	18.19	17.98	11,733	71,502
Jul	18.10	+0.01	18.29	18.10	6,314	43,288
Aug	18.20	-	18.38	18.20	3,105	13,185
Sep	18.31	+0.07	18.42	18.30	850	8,109
Oct	18.42	+0.16	18.42	18.40	30	5,705
Nov	18.38	+0.10	-	-	-	5,221
Total					na	na

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
May	55.45	+0.62	55.70	54.80	14,047	21,317
Jun	53.20	+0.28	53.50	52.90	8,757	32,849
Jul	53.40	+0.28	53.60	53.35	2,358	23,645
Aug	54.05	+0.38	54.10	53.90	1,216	13,220
Sep	54.65	+0.23	54.80	54.65	194	7,842
Oct	55.50	+0.33	55.55	55.35	411	7,084
Total					27,779	142,540

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	163.00	-0.75	164.75	162.75	5,268	23,419
Jun	164.25	-0.50	165.75	163.75	3,617	11,926
Jul	165.75	-0.50	167.25	165.50	2,458	7,494
Aug	167.75	-0.25	169.00	167.50	991	4,660
Sep	169.75	-0.25	170.75	169.50	1,132	2,594
Oct	171.50	-0.50	172.50	171.60	684	3,002
Total					10,832	65,046

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Vol	Open int
May	2.140	+0.026	2.200	2.110	21,481	21,107
Jun	2.145	-0.019	2.240	2.100	9,947	35,705
Jul	2.160	-0.020	2.240	2.130	3,073	18,548
Aug	2.165	-0.020	2.230	2.140	1,073	12,540
Sep	2.160	-0.025	2.225	2.150	855	12,325
Oct	2.180	-0.025	2.230	2.170	1,669	15,292
Total					41,569	198,416

■ UNLEADED GASOLINE NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
May	61.60	+0.03	63.10	61.50	16,224	27,673
Jun	61.10	-0.08	61.80	60.90	8,754	39,249
Jul	60.20	+0.02	60.65	60.15	2,658	13,875
Aug	59.10	+0.17	59.30	59.00	579	6,418
Sep	57.80	+0.22	58.00	57.80	194	3,055
Oct	56.10	-	56.10	55.90	147	1,976
Total					28,883	99,834

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	97.40	+0.90	97.40	96.45	175	1,169
Jul	100.65	+0.90	100.65	99.75	266	1,886
Sep	98.75	+0.25	-	-	-	51
Nov	98.75	+0.25	98.80	98.50	150	3,427
Jan	100.75	+0.25	100.75	100.50	45	973
Mar	102.75	+0.25	102.75	102.50	18	551
Total					684	8,236

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
May	432.25	-9.50	447.00	432.00	1,984	5,800
Jul	435.75	-11.25	451.00	435.00	15,219	55,353
Sep	440.75	-10.25	454.00	440.50	1,652	12,878
Dec	449.50	-10.50	462.75	448.50	1,226	12,559
Mar	450.00	-10.00	453.00	448.00	20	726
May	426.00	-10.00	-	-	-	4
Total					20,144	87,541

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
May	298.50	-2.75	301.75	298.25	18,263	68,555
Jul	299.25	-2.75	302.75	299.00	25,255	127,470
Sep	286.50	-3.00	290.00	286.25	1,601	23,424
Dec	282.25	-3.00	286.00	282.00	8,203	100,576
Mar	287.25	-2.75	290.00	287.50	132	10,018
May	291.00	-1.50	292.00	290.50	42	686
Total					53,545	336,199

■ BARLEY LIFFE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	91.00	+0.50	91.00	91.00	1	105
Sep	93.00	-	-	-	-	28
Nov	95.00	-	-	-	-	809
Jan	97.00	-	97.00	97.00	5	69
Mar	99.00	-	-	-	-	-
May	101.00	-	-	-	-	-
Total					6	1,011

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
May	842.50	+2.00	844.00	834.00	10,240	34,320
Jul	844.50	+1.50	846.50	836.50	27,742	82,126
Aug	827.50	+2.00	828.00	820.50	1,355	13,045
Sep	753.25	+2.25	755.50	747.00	496	7,057
Nov	696.00	+1.50	699.50	691.00	4,610	40,834
Jan	702.00	+2.00	705.00	698.00	40	2,426
Total					44,492	181,194

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Vol	Open int
May	24.93	+0.27	25.03	24.62	5,141	21,374
Jul	25.33	+0.28	25.47	25.02	8,107	39,835
Aug	25.48	+0.29	25.60	25.20	397	9,729
Sep	25.54	+0.26	25.68	25.30	298	5,801
Oct	25.55	+0.27	25.63	25.25	291	5,740
Dec	25.68	+0.24	25.83	25.42	1,121	17,099
Total					15,378	100,576

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Vol	Open int
May	272.4	-0.1	273.0	270.2	6,491	28,404
Jul	269.7	-0.7	271.1	267.8	10,909	39,133
Aug	261.1	-0.5	261.5	260.0	2,408	11,327
Sep	246.4	+0.4	247.2	245.0	477	7,328
Oct	226.8	+0.3	227.0	225.0	216	7,264
Dec	219.8	+0.1	220.4	218.0	1,323	15,084
Total					21,936	118,750

■ POTATOES LIFFE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	20.0	-5.0	25.0	20.0	50	223
Jun	43.0	-5.0	-	-	-	-
Nov	65.0	-5.0	-	-	-	9
Mar	130.0	-	-	-	-	-
Apr	138.0	-11.8	150.0	138.0	119	1,009
Total					169	1,241

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

	Sett price	Day's change	High	Low	Vol	Open int
Apr	1275	-16	1280	1275	55	647
May	1295	+5	1290	1275	138	847
Jun	1210	-	1210	1200	70	83
Jul	1160	-	1155	1145	114	1,035
Oct	1282	+2	1275	1270	42	451
Jan	1320	-10	1320	1320	2	57
Total					421	2,920

	Close	Prev
BFI	1292	1314

FUTURES DATA

All futures data supplied by CMS.

Nuts and seeds

Prices from Kenkko; US$ a tonne. Iranian pistachios 28/30 raw (in shell) naturally opened (round): RPPC new crop prices at 4,100 CFR; prices up because of frost damage to the 1997 crop; long type sold out. US walnuts inshell: 2,150 FCA Spain duty paid; East Europe LHP mix: 4,300 CPT. Turkish hazelnuts standard No 1: very unstable, price idea 4,900 - 5,200 CFR. Turkish and Iranian sultanas: 1,200 CFR MEP. Iranian industrial apricots: 1,780 CFR, more sellers in the market. Indian cashews raw spot goods: W-320 5,700 FCA Rotterdam; W-450 5,600 FCA Rotterdam: new crop shipment from April W-320 5,800. US almonds: crop 1996 27/30 SSR 5,900 FAS; crop 1997 27/30 SSR 4,000 FAS. Coconut: CFR 1,300 for top Philippine goods; spot 1,400. Pakistan pine kernels: 10,300.

SOFTS

■ COCOA LIFFE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	1018	+12	1018	1005	584	12,450
Jul	1038	+14	1038	1024	2,931	20,570
Sep	1051	+13	1050	1035	427	13,399
Dec	1026	+12	1027	1015	1,649	27,887
Mar	1037	+10	1038	1031	248	29,593
May	1048	+11	-	-	-	16,346
Total					6,419	134,725

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Vol	Open int
May	1437	+12	1443	1430	55	691
Jul	1458	+9	1467	1456	3,249	34,390
Sep	1480	+8	1487	1479	307	13,083
Dec	1504	+10	1508	1502	868	16,411
Mar	1527	+10	1531	1531	20	19,723
May	1548	+10	-	-	10	8,556
Total					4,511	94,545

■ COCOA (ICCO) (SDR's/tonne)

	Price	Prev. day
Apr 22		
Daily	1147.82	1140.19

■ COFFEE LIFFE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	1633	+5	1636	1610	1,567	13,422
Jul	1662	+7	1670	1636	2,254	16,903
Sep	1673	+6	1678	1648	1,189	10,171
Nov	1671	+11	1676	1645	382	3,506
Jan	1646	+16	1650	1625	392	1,730
Mar	1626	+16	1630	1630	10	138
Total					5,794	46,870

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
May	214.30	+3.10	218.50	209.00	1,257	3,396
Jul	193.40	+5.05	196.00	185.50	3,221	14,392
Sep	175.65	+5.00	176.75	168.50	722	6,730
Dec	156.95	+4.45	158.50	150.50	165	4,246
Mar	146.50	+4.40	146.50	141.00	128	1,486
May	140.00	+1.70	140.00	138.00	1	259
Total					5,502	30,654

■ COFFEE (ICO) (US cents/pound)

Apr 22		Prev. day
Comp. daily	146.52	149.23
15 day average	139.05	138.62

■ WHITE SUGAR LIFFE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	314.4	+3.5	315.2	310.8	2,312	10,823
Oct	308.8	+1.9	307.5	304.5	884	4,958
Dec	304.0	+2.1	304.4	302.5	49	1,256
Mar	302.5	+1.2	303.7	301.1	177	923
May	302.4	+1.6	302.7	302.7	50	410
Total					3,492	18,384

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
May	11.53	+0.26	11.57	11.23	12,298	30,181
Jul	11.24	+0.12	11.37	11.06	10,111	76,764
Oct	10.98	+0.1	11.01	10.84	2,648	34,781
Mar	10.85	+0.08	10.90	10.76	680	19,807
May	10.79	+0.08	10.80	10.70	377	4,500
Jul	10.72	+0.08	10.70	10.66	2	1,983
Total					28,214	169,562

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
May	71.37	+0.29	71.50	70.95	7,002	7,896
Jul	73.45	+0.55	73.50	72.76	7,589	36,709
Oct	74.77	+0.87	74.80	74.30	824	2,376
Dec	75.65	+0.58	75.69	75.07	2,128	22,743
Mar	76.90	+0.72	76.90	76.15	354	2,935
May	77.55	+0.85	76.60	76.50	19	660
Total					17,925	74,337

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
May	75.75	+0.05	78.25	75.55	1,707	7,277
Jul	77.65	-0.15	78.30	77.50	1,639	12,571
Sep	80.20	-0.15	80.50	80.05	221	5,068
Nov	82.60	-0.45	83.10	82.75	61	2,255
Jan	84.70	-0.45	85.30	85.00	84	1,002
Mar	86.90	-0.35	87.25	87.10	15	878
Total					3,797	29,012

VOLUME DATA

Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open interest totals are for all traded months.

INDICES

■ Reuters (Base: 18/9/31 = 100)

Apr 23	Apr 22	month ago	year ago
1958.9	1956.6	1986.7	2137.3

■ CRB Futures (Base: 1967 = 100)

Apr 22	Apr 21	month ago	year ago
246.54	247.61		

■ GSCI Spot (Base: 1970 = 100)

Apr 22	Apr 21	month ago	year ago
na	194.98	194.19	209.16

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Apr	69.925	+0.600	70.100	69.325	2,040	1,624
Jun	64.650	-0.025	64.875	64.550	4,543	37,055
Aug	64.525	+0.075	64.675	64.400	2,300	24,426
Oct	68.500	+0.200	68.625	68.350	818	15,513
Dec	70.300	+0.200	70.400	70.100	519	8,291
Feb	71.175	+0.075	71.325	71.100	105	5,073
Total					10,340	92,818

■ LEAN HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Jun	84.950	-0.050	85.475	84.525	3,347	15,898
Jul	84.925	-0.125	85.400	84.500	2,461	5,636
Aug	82.800	+0.225	83.200	82.050	999	4,489
Oct	75.850	+0.400	75.950	75.100	631	4,250
Dec	72.800	+0.450	73.100	72.100	330	2,745
Feb	71.350	+0.400	71.400	70.850	211	750
Total					8,038	34,383

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
May	92.125	+2.300	92.825	90.650	1,740	3,144
Jul	91.675	+2.600	92.075	89.575	2,290	2,826
Aug	88.375	+1.500	88.875	87.600	512	1,042
Feb	78.025	+1.300	78.700	76.725	75	222
Mar	76.600	-0.200	78.200	76.600	1	8
Total					4,618	7,247

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME	May	Aug	May	Aug
1575	24	73	19	39
1600	13	60	33	50
1625	6	48	51	62
■ COPPER (Grade A) LME	May	Aug	May	Aug
2400	76	66	12	107
2450	43	48	28	138
2500	21	34	56	173
■ COFFEE LIFFE	Jul	Sep	Jul	Sep
1600	134	193	72	120
1650	108	168	96	145
1700	85	148	123	175
■ COCOA LIFFE	Jul	Sep	Jul	Sep
1000	70	90	32	39
1025	56	76	43	50
1050	44	63	56	62
■ BRENT CRUDE IPE	Jun	Jul	Jun	Jul
1800	50	79	-	-
1850	30	-	-	-
1900	21	-	-	-

LONDON SPOT MARKETS

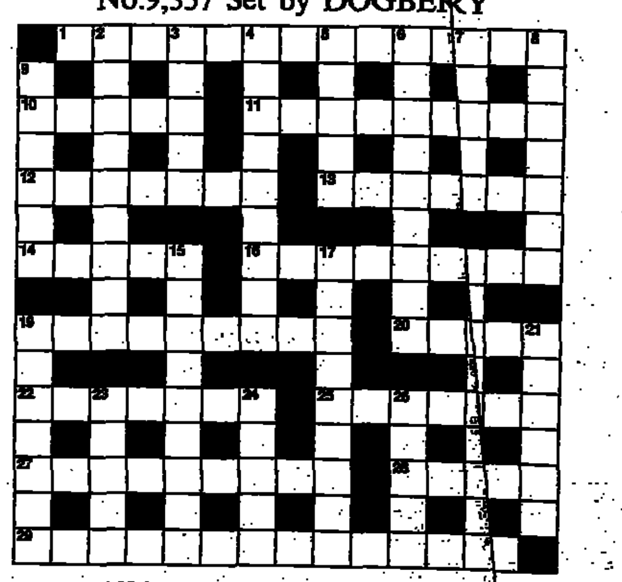
■ CRUDE OIL FOB (per barrel)		+or-
Dubai	$16.32-6.42	-0.19
Brent Blend (dated)	$17.41-7.43	-0.24
Brent Blend (Jun)	$17.86-7.88	-0.24
W.T.I.	$19.46-9.50z	-0.31
■ OIL PRODUCTS NWE prompt delivery CIF (tonne)		
Premium Gasoline	$203-205	+2
Gas Oil	$166-168	-1
Heavy Fuel Oil	$78-80	
Naphtha	$176-178	+5
Jet fuel	$185-188	-1
Diesel	$173-175	-1
■ NATURAL GAS (Pence/therm)		
Bacton (May)	10.3-10.4	
Petroleum Argus. Tel. London (0171) 359 8792		
IPE (May)	10.350	+0.035
■ OTHER		
Gold (per troy oz)♣	$341.05	-0.50
Silver (per troy oz)♣	472.00c	-3.00
Platinum (per troy oz.)	$373.00	-7.25
Palladium (per troy oz.)	$154.00	-2.50
Copper	116.0c	+3.0
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	14.03r	
Tin (New York)	272.5	+7.0
Cattle (live weight)	92.15p	-0.74*
Sheep (live weight)	137.39p	+2.73*
Pigs (live weight)†	94.61p	+11.04*
Lon. day sugar (raw)	$277.20	+1.30
Lon. day sugar (wte)	$314.50	+1.40
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	£109.00	
Wheat (US Dark North)	Unq	
Rubber (May)♥	70.50p	-0.50
Rubber (Jun)♥	70.50p	-0.50
Rubber (KL RSS No1)	283.5x	-0.5
Coconut Oil (Phil)§	702.5y	-17.5
Palm Oil (Malay.)§	565.0z	+5.0
Copra (Phil)§	$450.0y	
Soyabeans (US)	223.0	
Cotton Outlook'A' index	78.90c	+0.40
Wooltops (64s Super)	400p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. w May y Apr/May♥ z Jun London Physical. § CIF Rotterdam. ♣ Bullion market close. * Change on week. †Based on 1,358 head of pigs sold.

JOTTER PAD

CROSSWORD

No.9,357 Set by DOGBERRY



ACROSS

1 Let-down caused depression – inject juice and lotion (14)
10 Swelling underground user? (5)
11 Leisure in the lean years (5,4)
12 Put up with mascot roaming hospital (7)
13 Model tirade about graduate's old car (7)
14 Meals cooked at scene of witch-hunt (5)
16 Aboard ship, corrupted pure sailor of great celebrity (9)
19 Careful to be shown carrying identification on time (9)
20 Back again? Without question, a non-event! (5)
22 Suddenly rise and drive off, put out about it (7)
25 Tempts to conceal Switzerland's sudden moves (7)
27 SS keeping promise to island fencer (9)
28 Born King of France and left to cook (5)
29 It warms throughout, doing without broken antler (7,7)

DOWN

2 Oil-rig mob getting into a tangle (9)
3 A golden "thankyou" to the blood supplier (5)
4 Headless osteopaths running around quickly (9)
5 It's unsuitable to snooze in it (5)
6 Word book, Jacob brother takes in (sic) (9)
7 Musical energy and life, classically speaking (5)
8 The speaker is a bird impersonator (7)
9 Immobility may assist deployment (8)
15 One way to shop – French-English aristocrat entertaining a queen (4,5)
17 Peevishness of domestic union leader with weapon (9)
18 Try to land (5,4)
19 Short film featuring little boy on acid test (6)
21 Seamen going up and down on the rock (6)
23 Poles flanking course out (5)
24 Language in which ivy interrupt coda (5)
26 Steal books from aunton (5)

Solution 9,356

CURRENCIES AND MONEY

Pound suffers with UK exports

MARKETS REPORT

By Simon Kuper

The pound fell yesterday in profit taking, political worries and new evidence that UK exporters were suffering from its eight-month rally.

A Confederation of British Industry survey showing a sharp fall in export orders hit the pound, as did an opinion poll which suggested that the general election on May 1 might be a closer race than was previously thought. An ICM poll in the *Guardian* newspaper yesterday said the Labour party's lead had fallen to 5 percentage points. This raised fears, particularly in the US market, of a hung parliament.

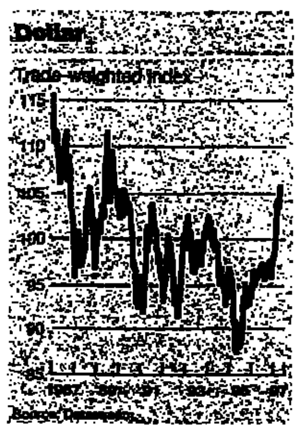
The pound fell 2.1 pfennigs against the D-Mark and 1.4 cents against the dollar to close in London at DM2.780 and $1.623. The dollar partly moved against the yen and D-Mark ahead of Sunday's G7 meeting in Washington.

■ The European Commission's economic forecasts had been so widely leaked that they caused little stir when published yesterday. As expected, the Commission said Italy and Greece were the only countries likely to miss the budget deficit criterion to qualify for European monetary union.

But the lira firmed slightly to L994.6 against the D-Mark on a rider in the report, which said that Italy might yet meet the criterion "if the (budgetary) measures already taken have full effectiveness and, if necessary, additional measures are introduced".

The escudo and the peseta also firmed modestly as belief grew that Portugal and Spain might qualify for Emu. Mr Kit Juckes, currency strategist at NatWest Markets in London, said the Commission's figures, coupled with forecasts of a conservative win in the early French election, "seem to significantly shorten the odds both on Emu starting on time and on Spain participating, though not necessarily on Italy participating". The Swiss franc eased as market confidence in Emu occurring grew.

■ A consensus is developing about Sunday's G7 meeting. Most currency strategists expect the summit to fall short of a statement pledging joint intervention to stop the dollar's rise. Rather, the strategists say, the G7 will do as it did at its Berlin meeting in February: state that the dollar has risen far enough, and possibly make a vague threat of future intervention. That would merely slow the dollar's rise, strategists say.



They cite two main reasons why the G7 will make no concrete threats of intervention. Firstly, the dollar's rise suits Germany and Japan, which want to raise exports as a route to economic recovery. The US has long supported the strong dollar. Mr Juckes says: "The truth is that as long as the dollar doesn't go up too fast its rise suits absolutely everybody." Japan's recent threats of intervention were meant simply to slow the dollar's rise, he said.

The International Monetary Fund yesterday voiced only muted concern about the strong dollar. Mr Michael Mussa, the IMF's chief economist, said a further yen slide would be unwelcome but not a cause for "intense concern". He said exchange rates were now broadly in line with economic fundamentals, but added that in the medium term the dollar's recent gains and the yen's losses "may not be compatible with further reduction of external imbalances."

The second reason why strategists say G7 intervention is unlikely is that they think it would fail. Investors have no wish to sell dollars for yen now, said Mr Juckes, because 10-year yields in the US are more than 450 basis points higher than in Japan. Japan is unlikely to raise interest rates soon. Nor is the US likely to cut them. Goldman Sachs says that "to really hold back dollar strength either fiscal or monetary policy will need to be changed in one or all of the G3 countries".

The bank expects a fairly strong G7 statement. But it adds that unless the market believes that Japan will raise interest rates soon, "then the permanent consequences of the G7 meeting will be ineffective". Mr Adrian Schmidt, senior economist at Chase in London, said: "We still think the G7 won't do anything. The most likely thing is that the dollar will go up before or after the G7."

■ Pound in New York

Apr 23	—Latest—	— Prev. close —
£ spot	1.6220	1.6345
1 mth	1.6213	1.6338
3 mth	1.6197	1.6322
1 yr	1.6136	1.6258

■ OTHER CURRENCIES

Apr 23	£	$
Czech Rp	46.1205 - 46.1995	28.3830 - 28.3990
Hungary	282.672 - 282.624	180.320 - 180.420
Iran	4871.40 - 4888.40	3000.00 - 3005.00
Kuwait	0.4920 - 0.4935	0.3035 - 0.3039
Poland	5.0972 - 5.1092	3.1418 - 3.1448
Russia	9327.85 - 9338.85	5748.00 - 5750.00
U.A.E.	5.9604 - 5.9644	3.6720 - 3.6731

POUND SPOT FORWARD AGAINST THE POUND

Apr 23		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	19.56	-0.1489	523 - 747	19.7342	19.5615	19.52	2.7	19.4635	2.0	-	-	103.5
Belgium	(BFr)	57.36	-0.4312	368 - 983	57.8810	57.3330	57.2376	2.8	56.9778	2.7	55.8526	3.0	103.4
Denmark	(DKr)	10.56	-0.0839	547 - 645	10.6868	10.5482	10.5676	2.8	10.5241	2.5	10.3141	2.6	105.8
Finland	(FM)	8.31	-0.0994	625 - 757	8.4720	8.3620	-	-	-	-	-	-	82.5
France	(FFr)	9.34	-0.0715	757 - 831	9.4698	9.3712	9.3573	2.8	9.3136	2.6	9.0965	3.0	105.2
Germany	(DM)	2.77	-0.0212	782 - 812	2.8076	2.7778	2.7731	2.9	2.7595	2.9	2.6926	3.1	105.0
Greece	(Dr)	441.6	-4.02	869 - 333	445.263	440.737	-	-	-	-	-	-	65.7
Ireland	(I£)	1.0487	-0.0038	480 - 493	1.0530	1.0477	1.0484	0.5	1.0475	0.5	1.0409	0.7	101.7
Italy	(L)	2764	-25.78	298 - 831	2794.33	2761.63	2768.04	-1.5	2772.89	-1.2	2775.69	-0.4	75.9
Luxembourg	(LFr)	57.36	-0.4312	368 - 983	57.8810	57.3330	57.2376	2.8	56.9778	2.7	55.8526	3.0	103.4
Netherlands	(Fl)	3.1268	-0.0252	252 - 284	3.1571	3.1241	3.1197	3.1	3.1029	3.1	3.0274	3.2	105.0
Norway	(NKr)	11.49	-0.1623	255 - 442	11.6087	11.4245	11.4104	2.6	11.3816	2.6	11.1384	2.6	98.4
Portugal	(Es)	280.0	-2.894	073 - 326	282.868	279.008	279.34	-0.6	279.825	-0.5	-	-	94.4
Spain	(Pta)	234.45	-2.269	322 - 568	237.010	234.325	234.575	-0.7	234.445	0.0	232.97	0.6	78.1
Sweden	(SKr)	12.3889	-0.1863	790 - 988	12.5847	12.3780	12.3699	1.8	12.3304	1.9	12.1344	2.1	85.0
Switzerland	(SFr)	2.3722	-0.0102	706 - 737	2.3952	2.3704	2.3634	4.5	2.3455	4.5	2.2613	4.7	103.9
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	99.3
Ecu	-	1.4266	-0.0107	256 - 275	1.4407	1.4253	1.4244	1.9	1.4197	1.9	1.3946	2.2	-
SDR†	-	1.0192	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6231	-0.0135	225 - 236	1.6364	1.6225	-	-	-	-	-	-	-
Brazil	(R$)	1.7253	-0.0142	247 - 259	1.7389	1.7245	-	-	-	-	-	-	-
Canada	(C$)	2.2628	-0.0225	617 - 638	2.2835	2.2614	2.2569	3.1	2.2482	2.9	2.2016	2.7	84.2
Mexico	(New Peso)	12.7652	-0.0924	731 - 972	12.8768	12.7725	-	-	-	-	-	-	-
USA	($)	1.6233	-0.0135	228 - 236	1.6366	1.6227	1.6226	0.5	1.621	0.6	1.6145	0.5	105.7
Pacific/Middle East/Africa													
Australia	(A$)	2.0893	-0.0139	880 - 906	2.1084	2.0875	2.0892	0.1	2.0884	0.2	2.0843	0.2	98.2
Hong Kong	(HK$)	12.5769	-0.1031	722 - 815	12.6776	12.5715	12.5728	0.4	12.5613	0.5	12.5212	0.4	-
India	(Rs)	58.0087	-0.4521	[illegible]	[illegible]	[illegible]	-	-	-	-	-	-	-
Israel	(Shk)	5.5131	-0.0539	080 - 201	5.5608	5.5051	-	-	-	-	-	-	-
Japan	(Y)	204.723	-1.825	619 - 826	206.680	204.615	203.753	5.7	201.893	5.5	193.289	5.6	120.5
Malaysia	(M$)	4.0542	-0.0345	521 - 563	4.0882	4.0518	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.3416	-0.0157	397 - 435	2.3639	2.3386	2.3445	-1.5	2.3496	-1.4	2.3699	-1.2	116.4
Philippines	(Peso)	42.7084	-0.3606	446 - 521	43.1241	42.7344	-	-	-	-	-	-	-
Saudi Arabia	(SR)	6.0882	-0.0507	861 - 902	6.1377	6.0860	-	-	-	-	-	-	-
Singapore	(S$)	2.3449	-0.0178	433 - 464	2.3631	2.3430	-	-	-	-	-	-	-
South Africa	(R)	7.2171	-0.061	124 - 217	7.2690	7.2120	-	-	-	-	-	-	-
South Korea	(Won)	1448.80	-12.86	510 - 249	1460.83	1444.51	-	-	-	-	-	-	-
Taiwan	(T$)	44.8416	-0.3894	055 - 981	45.5882	44.7877	-	-	-	-	-	-	-
Thailand	(Bt)	42.3032	-0.38	739 - 325	42.8680	42.2640	-	-	-	-	-	-	-

† Rates for Apr 22. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.
The exchange rates printed in this table are also available on the Internet at http://www.FT.com

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Apr 23		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P. Morgan Index
Europe													
Austria	(Sch)	12.0517	+0.0084	485 - 549	12.0782	12.0410	12.037	1.5	11.9917	2.0	11.7967	2.1	103.3
Belgium	(BFr)	35.3370	+0.028	320 - 420	35.4290	35.3100	35.277	2.0	35.1495	2.1	34.6085	2.1	103.3
Denmark	(DKr)	6.5295	+0.0026	225 - 245	6.5428	6.5215	6.5146	1.5	6.4862	1.7	6.4145	1.7	105.2
Finland	(FM)	5.1556	-0.0182	531 - 581	5.1871	5.1530	5.1466	2.0	5.128	2.1	5.0456	2.1	81.7
France	(FFr)	5.7750	+0.004	775 - 785	5.7960	5.7730	5.7673	2.2	5.7463	2.2	5.638	2.4	105.7
Germany	(DM)	1.7124	+0.0012	120 - 128	1.7175	1.7110	1.7092	2.2	1.7026	2.3	1.669	2.5	104.6
Greece	(Dr)	271.740	-0.215	690 - 790	272.570	269.960	273.295	-6.9	275.665	-5.1	286.89	-5.6	65.5
Ireland	(I£)	1.5480	-0.0073	475 - 485	1.5556	1.5460	1.5475	0.3	1.547	0.3	1.5483	0.0	-
Italy	(L)	1703.10	-1.7	260 - 360	1709.70	1702.20	1706.1	-2.1	1710.95	-1.8	1720.75	-1.0	75.5
Luxembourg	(LFr)	35.3370	+0.028	320 - 420	35.4290	35.3100	35.277	2.0	35.1495	2.1	34.6085	2.1	103.3
Netherlands	(Fl)	1.9262	+0.0016	258 - 266	1.9316	1.9236	1.9224	2.4	1.9144	2.5	1.8768	2.5	102.8
Norway	(NKr)	7.0442	-0.0411	408 - 478	7.1075	7.0170	7.0404	0.6	7.0346	0.5	7.0092	0.5	98.6
Portugal	(Es)	171.895	-0.35	870 - 920	172.650	171.910	172.125	-0.9	172.275	-0.7	172.01	0.0	94.6
Spain	(Pta)	144.425	-0.185	400 - 450	145.050	144.300	144.519	-0.8	144.635	-0.6	144.43	0.0	77.7
Sweden	(SKr)	7.6320	-0.0398	282 - 357	7.6919	7.6275	7.6292	0.4	7.6193	0.7	7.572	0.8	84.4
Switzerland	(SFr)	1.4613	+0.0058	608 - 618	1.4660	1.4585	1.4586	3.3	1.4471	3.9	1.4016	4.1	104.1
UK	(£)	1.6233	-0.0135	228 - 236	1.6366	1.6227	1.6226	0.5	1.621	0.6	1.6145	0.5	100.0
Ecu	-	1.1379	-0.0009	375 - 383	1.1398	1.1363	1.138	-1.2	1.1416	-1.3	1.1568	-1.7	-
SDR†	-	0.72889	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9999	-	998 - 999	0.9999	0.9998	-	-	-	-	-	-	-
Brazil	(R$)	1.0629	+0.0001	628 - 629	1.0633	1.0626	-	-	-	-	-	-	-
Canada	(C$)	1.3940	-0.0022	937 - 942	1.3956	1.3923	1.3911	2.5	1.3859	2.3	1.3645	2.1	84.0
Mexico	(New Peso)	7.8760	+0.0065	710 - 810	7.8820	7.8700	7.994	-18.0	8.2605	-19.5	9.121	-15.8	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	106.5
Pacific/Middle East/Africa													
Australia	(A$)	1.2871	+0.0022	867 - 875	1.2883	1.2865	1.2876	-0.7	1.2886	-0.5	1.2939	-0.5	100.3
Hong Kong	(HK$)	7.7477	+0.0009	472 - 482	7.7485	7.7470	7.7476	0.0	7.7481	0.0	7.7592	-0.1	-
India	(Rs)	35.7350	-0.03	100 - 600	35.7850	35.7050	35.95	-7.2	36.41	-7.6	-	-	-
Israel	(Shk)	3.3962	-0.005	926 - 995	3.4022	3.3918	-	-	-	-	-	-	-
Japan	(Y)	126.115	-0.075	090 - 140	126.490	125.870	125.58	5.1	124.555	4.9	119.755	5.0	121.3
Malaysia	(M$)	2.4975	-0.0005	970 - 980	2.4992	2.4960	2.5004	-1.4	2.5057	-1.3	2.527	-1.2	-
New Zealand	(NZ$)	1.4425	+0.0023	418 - 432	1.4444	1.4414	1.4443	-1.5	1.4481	-1.6	1.4698	-1.9	-
Philippines	(Peso)	26.3050	-0.003	400 - 900	26.3900	26.3380	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7505	-	504 - 506	3.7507	3.7503	3.7506	-0.1	3.7512	-0.1	3.7591	-0.1	-
Singapore	(S$)	1.4445	+0.001	440 - 450	1.4461	1.4428	1.4423	1.8	1.4377	1.9	1.4165	1.9	-
South Africa	(R)	4.4459	-0.0006	444 - 474	4.4476	4.4412	4.4886	-11.0	4.5516	-10.4	4.8784	-9.7	-
South Korea	(Won)	892.500	-0.5	500 - 500	894.550	889.500	-	-	-	-	-	-	-
Taiwan	(T$)	27.6300	-0.01	100 - 500	27.6500	27.6100	27.6301	0.0	-	-	-	-	-
Thailand	(Bt)	26.0800	-0.005	500 - 700	26.0800	26.0450	26.15	-4.1	26.3175	-4.0	26.955	-3.4	-

† SDR rate per $ for Apr 22. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Apr 22: Base average 1990=100.
The exchange rates printed in this table are also available on the Internet at http://www.FT.com

WORLD INTEREST RATES

MONEY RATES

April 23	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	3¼	3⅛	3¼	3⅛	3⅜	6.00	2.50	-
France	3⅛	3⅛	3⅛	3⅛	3⅛	3.10	-	4.75
Germany	3¼	3⅛	3⅛	3⅛	3⅛	4.50	2.50	3.00
Ireland	5⅝	5⅞	5⅞	5⅝	5¾	-	-	6.25
Italy	7	6⅞	6⅞	6⅞	6⅞	8.25	6.75	7.34
Netherlands	3¼	3⅛	3⅛	3¼	3⅞	-	3.00	3.30
Switzerland	1⅛	1⅞	1⅞	1⅝	2	-	1.00	-
US	5½	5¾	5⅞	6	6⅜	-	5.00	-
Japan	½	½	½	⅝	⅝	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	5⅞	5⅞	6	6⅜	-	-	-
US Dollar CDs	-	5.50	5.64	5.78	6.09	-	-	-
ECU Linked Ds	-	4⅛	4⅛	4⅛	4¼	-	-	-
SDR Linked Ds	-	3⅛	3⅞	3⅞	3⅞	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo Mitsubishi, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Apr 23	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	3¾ - 3¼	3⅛ - 3⅛	3¼ - 3⅛	3⅛ - 3⅛	3⅞ - 3⅞	3⅞ - 3⅞
Danish Krone	3⅞ - 3¼	3⅞ - 3⅞	3⅞ - 3½	3⅞ - 3⅞	3⅞ - 3⅝	4⅛ - 3⅞
German Mark	3⅛ - 3⅛	3¼ - 3⅛	3⅛ - 3⅛	3⅞ - 2⅞	3⅛ - 3	3⅞ - 3⅛
Dutch Guilder	3⅛ - 3	3⅛ - 2⅞	3⅛ - 3⅛	3⅞ - 3⅛	3⅛ - 3⅛	3⅞ - 3⅞
French Franc	3¼ - 3⅛	3⅛ - 3⅛	3⅜ - 3¼	3⅞ - 3⅜	3⅞ - 3⅞	3⅝ - 3½
Portuguese Esc.	6⅛ - 6	5⅞ - 5⅞	5⅞ - 5⅞	5⅞ - 5⅛	5¼ - 5⅞	5⅞ - 5⅝
Spanish Peseta	5½ - 5⅛	5⅞ - 5⅞	5⅞ - 5⅞	5½ - 5⅞	5⅞ - 5⅞	5⅞ - 5⅞
Sterling	6⅛ - 5⅞	6⅛ - 6	6⅛ - 6	6⅞ - 6¼	6⅞ - 6⅞	6⅞ - 6⅞
Swiss Franc	1½ - 1⅛	1⅞ - 1⅞	1¾ - 1⅞	1⅞ - 1¾	2 - 1¾	2⅛ - 1⅞
Canadian Dollar	3⅛ - 2⅞	3⅛ - 3⅛	3⅛ - 3⅛	3⅞ - 3⅛	3⅞ - 3⅞	4¼ - 4⅛
US Dollar	5⅞ - 5⅞	5⅝ - 5⅞	5⅞ - 5⅞	5⅞ - 5⅞	6 - 5⅞	6⅝ - 6¼
Italian Lira	7½ - 6½	7 - 6¾	7⅛ - 6⅞	6⅞ - 6⅞	6⅞ - 6⅞	6⅞ - 6⅞
Japanese Yen	⅞ - ½	⅞ - ½	⅞ - ⅞	⅞ - ⅞	⅞ - ⅞	⅞ - ⅞
Asian $Sing	3⅝ - 3½	3½ - 3⅜	3½ - 3⅜	3½ - 3⅜	3⅞ - 3⅞	3⅝ - 3½

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris Interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	96.39	96.38	+0.04	96.42	96.36	40,952	69,267
Sep	96.42	96.42	+0.04	96.45	96.38	18,734	55,753
Dec	96.40	96.41	+0.04	96.43	96.36	10,341	31,977

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	96.75	96.76	-	96.76	96.74	14467	230088
Sep	96.71	96.70	-	96.71	96.70	13890	197255
Dec	96.58	96.56	-	96.58	96.56	8814	214826
Mar	96.42	96.41	+0.01	96.43	96.40	13482	182273

■ ONE MONTH EUROMARK FUTURES (LIFFE)* DM3m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
May	96.78	96.78	-	96.78	96.78	462	4557
Jun	-	96.78	-	-	-	0	725
Jul	-	96.77	-	-	-	0	250
Aug	-	96.77	-	-	-	0	5

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	93.16	93.18	+0.02	93.21	93.10	27102	125671
Sep	93.43	93.44	+0.02	93.47	93.37	14170	77544
Dec	93.54	93.55	+0.02	93.56	93.47	6369	50525
Mar	93.53	93.54	+0.02	93.56	93.46	2675	32485

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	98.09	98.10	+0.01	98.11	98.06	8594	53361
Sep	98.04	98.04	+0.01	98.05	98.00	4716	32037
Dec	97.85	97.86	-	97.88	97.85	1500	21032
Mar	97.75	97.76	-	97.75	97.74	791	7612

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	-	99.35	-0.01	-	-	0	n/a
Sep	-	99.23	-0.02	-	-	0	n/a
Dec	-	99.05	-0.02	-	-	0	n/a

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	95.77	95.77	+0.01	95.81	95.76	1685	6912
Sep	95.76	95.77	+0.01	95.79	95.76	604	5146
Dec	95.69	95.68	-	95.70	95.67	160	5780
Mar	95.60	95.59	-0.01	95.61	95.57	107	3841

* LIFFE futures also traded on APT

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Jun	CALLS Sep	CALLS Dec	PUTS Jun	PUTS Sep	PUTS Dec
9300	0.28	0.60	0.77	0.10	0.16	0.22
9325	0.14	0.43	0.60	0.21	0.24	0.30
9350	0.05	0.29	0.45	0.37	0.35	0.40

Est. vol. total, Calls 4685 Puts 2560. Previous day's open int., Calls 148554 Puts 67460

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Apr 23		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.46	16.35	4.847	1.829	4820	5.452	19.93	486.8	408.6	21.60	4.135	1.743	3.945	2.829	356.9	2.486
Denmark	(DKr)	54.16	10	8.856	2.625	0.991	2611	2.953	10.79	263.8	221.3	11.70	2.240	0.944	2.137	1.533	193.3	1.347
France	(FFr)	61.16	11.29	10	2.964	1.118	2948	3.334	12.19	297.7	249.9	13.21	2.529	1.066	2.413	1.730	218.3	1.520
Germany	(DM)	20.63	3.809	3.374	1	0.377	994.6	1.125	4.112	100.4	84.32	4.457	0.853	0.360	0.814	0.584	73.63	0.513
Ireland	(I£)	54.68	10.10	8.941	2.650	1	2636	2.981	10.90	266.2	223.5	11.81	2.261	0.953	2.157	1.547	195.1	1.359
Italy	(L)	2.075	0.383	0.339	0.101	0.038	100.	0.113	0.413	10.10	8.477	0.448	0.086	0.036	0.082	0.059	7.403	0.052
Netherlands	(Fl)	18.34	3.387	2.999	0.889	0.335	884.2	1	3.655	89.29	74.96	3.962	0.759	0.320	0.724	0.519	65.46	0.456
Norway	(NKr)	50.18	9.265	8.206	2.432	0.918	2419	2.736	10	244.3	205.1	10.84	2.075	0.875	1.980	1.420	179.1	1.248
Portugal	(Es)	20.54	3.793	3.359	0.996	0.376	990.3	1.120	4.094	100.	83.95	4.438	0.850	0.358	0.811	0.581	73.32	0.511
Spain	(Pta)	24.47	4.518	4.001	1.186	0.448	1180	1.334	4.876	119.1	100.	5.286	1.012	0.427	0.965	0.692	87.33	0.608
Sweden	(SKr)	46.30	8.547	7.570	2.244	0.847	2232	2.524	9.225	225.3	189.2	10	1.914	0.807	1.826	1.310	165.2	1.151
Switzerland	(SFr)	24.18	4.465	3.954	1.172	0.442	1166	1.318	4.819	117.7	98.82	5.223	1	0.422	0.954	0.684	86.30	0.601
UK	(£)	57.37	10.59	9.379	2.780	1.049	2765	3.127	11.43	279.2	234.4	12.38	2.372	1	2.263	1.623	204.7	1.426
Canada	(C$)	25.35	4.680	4.144	1.228	0.464	1222	1.382	5.051	123.4	103.6	5.475	1.048	0.442	1	0.717	90.46	0.630
US	($)	35.35	6.525	5.779	1.713	0.646	1704	1.927	7.043	172.0	144.4	7.634	1.461	0.616	1.394	1	126.1	0.879
Japan	(Y)	28.02	5.173	4.582	1.358	0.512	1351	1.526	5.584	136.4	114.5	6.053	1.159	0.489	1.106	0.793	100.	0.697
Ecu		40.22	7.426	6.577	1.950	0.736	1939	2.193	8.015	195.8	164.4	8.689	1.663	0.701	1.587	1.138	143.5	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.5852	0.5857	+0.0005	0.5867	0.5844	22,867	82,072
Sep	0.5892	0.5896	+0.0004	0.5896	0.5890	103	3,146
Dec	-	0.5955	-	-	-	14	319

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.6881	0.6878	-0.0003	0.6898	0.6861	21,036	44,977
Sep	-	0.6942	-0.0008	-	0.6936	75	2,116
Dec	-	0.7010	-0.0024	-	0.7010	2	383

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.7980	0.7995	+0.0014	0.8007	0.7968	14,464	80,499
Sep	-	0.8100	+0.0009	0.8100	-	47	1,407
Dec	-	0.8220	+0.0014	-	0.8220	10	620

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	1.6336	1.6286	-0.0054	1.6348	1.6286	6,027	37,741
Sep	1.6290	1.6260	-0.0056	1.6290	1.6260	30	884
Dec	-	1.6240	-0.0052	-	1.6240	2	101

UK INTEREST RATES

LONDON MONEY RATES

Apr 23	Over night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible] - 6⅞	7⅛ - 6⅞
Sterling CDs	-	-	[illegible]	[illegible]	[illegible] - 6⅞	6⅞ - 6⅞
Treasury Bills	-	-	[illegible]	[illegible]	-	-
Bank Bills	-	-	[illegible]	[illegible]	- 6⅞	-
Local authority deps.	[illegible]	[illegible]	[illegible]	[illegible]	- 6⅞	6⅞ - 6⅞
Discount Market deps	[illegible]	[illegible]	-	-	-	-

UK clearing bank base lending rate 6 per cent from October 30, 1996

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1½pc. Ave. tender rate of discount on Apr 18, 5.9258pc. ECGD fixed rate Stlg. Export Finance. Make up day Mar 27, 1997. Agreed rates for period Apr 22, 1997 to May 25, 1997, Scheme III 7.53pc. Reference rate for period Feb 1, 1997 to Mar 27, 1997, Scheme IV & V 6.582pc. Finance House Base Rate 6½pc from Apr 1, 1997

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	93.36	93.38	-0.01	93.42	93.35	18659	113693
Sep	93.12	93.11	-0.01	93.16	93.10	16437	93065
Dec	92.88	92.86	-0.01	92.92	92.85	17082	76889
Mar	92.71	92.69	-0.02	92.76	92.69	6947	49659
Jun	92.62	92.57	-0.01	92.63	92.57	2572	39668

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Jun	CALLS Sep	CALLS Dec	PUTS Jun	PUTS Sep	PUTS Dec
9325	0.18	0.12	0.11	0.05	0.26	0.50
9350	0.04	0.04	0.05	0.16	0.43	0.69
9375	0	0.01	0.01	0.37	0.65	0.91

Est. vol. total, Calls 5640 Puts 4136. Previous day's open int., Calls 170103 Puts 162414

BASE LENDING RATES

	%		%
Adam & Company	6.00	Duncan Lawrie	6.00
Allied Irish Bank	6.00	Exeter Bank Limited	7.00
●Henry Ansbacher	6.00	Financial & Gen Bank	7.00
Bank of Baroda	6.00	●Robert Fleming & Co	6.00
Banco Bilbao Vizcaya	6.00	●Guinness Mahon	6.00
Bank of Cyprus	6.00	Habib Bank AG Zurich	6.00
Bank of Ireland	6.00	●Hambros Bank	6.00
Bank of India	6.00	Heritable & Gen Inv Bk	6.00
Bank of Scotland	6.00	●Hill Samuel	6.00
Barclays Bank	6.00	C. Hoare & Co	6.00
Brit Bk of Mid East	6.00	Hongkong & Shanghai	6.00
●Brown Shipley & Co Ltd	6.00	Investec Bank (UK) Ltd	6.00
Citibank NA	6.00	Julian Hodge Bank	6.00
Clydesdale Bank	6.00	●Leopold Joseph & Sons	6.00
The Co-operative Bank	6.00	Lloyds Bank	6.00
Coutts & Co	6.00	Midland Bank	6.00
Cyprus Popular Bank	6.00	NatWestminster	6.00
		●Rea Brothers	6.00
Royal Bk of Scotland	6.00	●Singer & Friedlander	6.00
●Smith & Williamson Secs	6.00	Scottish Widows Bank	6.00
TSB	6.00	United Bank of Kuwait	6.00
Unity Trust Bank Plc	6.00	Western Trust	6.00
Whiteaway Laidlaw	6.00	Yorkshire Bank	6.00

● Members of London Investment Banking Association
* In administration

EMS EUROPEAN CURRENCY UNIT RATES

Apr 23	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Portugal	197.398	196.605	-0.594	-0.40	2.72	3
Ireland	0.798709	0.735809	-0.001051	-7.88	11.06	53
Finland	5.85424	5.89907	-0.01657	0.77	1.53	-5
Spain	163.826	165.208	-0.306	0.84	1.45	-6
Netherlands	2.18979	2.20235	+0.00181	1.50	0.80	-11
Denmark	7.34555	7.46092	+0.00573	1.57	0.73	-11
Germany	1.92573	1.95817	+0.0012	1.68	0.61	-17
Belgium	39.7191	40.3997	+0.0217	1.71	0.59	-13
Austria	13.5485	13.7820	+0.0092	1.72	0.58	-13
France	6.45863	6.60433	-0.00144	2.26	0.05	-19
Italy	1906.48	1950.51	-0.76	2.31	0.00	-17
NON ERM MEMBERS						
Greece	295.269	310.863	+0.202	5.28	-2.82	-
UK	0.793103	0.699959	-0.000675	-11.74	15.92	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. 17/9/92: Sterling suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS May	CALLS Jun	CALLS Jul	PUTS May	PUTS Jun	PUTS Jul
1.620	1.92	2.42	2.82	0.48	1.10	1.57
1.630	1.29	1.81	2.31	0.83	1.51	2.01
1.640	0.80	1.40	1.84	1.35	2.04	2.51

Previous day's vol., Calls 3,864 Puts 192 . Prev. day's open int., Calls 33,861 Puts 31,119

■ PHILADELPHIA SE D-MARK/$ OPTIONS DM62,500 ($ per DM)

Strike Price	CALLS May	CALLS Jun	CALLS Jul	PUTS May	PUTS Jun	PUTS Jul
0.580	0.71	1.00	1.24	0.35	0.53	0.87
0.585	0.44	0.72	0.96	0.57	0.76	0.90
0.590	0.26	0.51	0.74	0.87	1.05	1.17

Previous day's vol., Calls 945 Puts 1,617 . Prev. day's open int., Calls 24,394 Puts 36,034

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	94.02	94.02	-	94.03	94.01	34,337	479,387
Sep	93.77	93.75	-0.01	93.78	93.75	61,937	409,895
Dec	93.50	93.49	-0.01	93.52	93.49	74,673	298,573

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	94.60	94.59	-	94.60	94.59	54	6,731
Sep	-	94.34	+0.01	94.34	-	17	3,694
Dec	-	94.50	-	-	-	-	-

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS May	CALLS Jun	CALLS Jul	CALLS Sep	PUTS May	PUTS Jun	PUTS Jul	PUTS Sep
9675	0.03	0.04	0.05	0.06	0.03	0.04	0.10	0.11
9700	0	0	0.01	0.01	0.25	0.25	0.31	0.31
9725	0	0	0	0	0.50	0.50	0.55	0.55

Est. vol. total, Calls 1530 Puts 3449. Previous day's open int., Calls 472104 Puts 288452

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Jun	CALLS Sep	CALLS Dec	PUTS Jun	PUTS Sep	PUTS Dec
9825	0.04	0.09	0.11	0.19	0.30	0.48
9850	0.01	0.03	0.04	0.41	0.49	0.66

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 1150 Puts 1740

Offshore Funds and Insurances

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

LUXEMBOURG (SIB RECOGNISED)

ABN AMRO Funds (u)

Fidelity Funds - Contd.

Fleming Group (u)

Mercury Asset Management - Contd.

Midland Int'l Circuit Fund SICAV(u)

ACM Global Investment - Contd.

Credit Commercial de France

LUXEMBOURG (REGULATED)(**)

ACM Global Investment

OFFSHORE INSURANCES

FT MANAGED FUNDS SERVICE

Offshore Funds

• FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

[illegible]

BERMUDA (REGULATED)(**)

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

GUERNSEY (REGULATED)(**)

[illegible]

IRELAND (SIB RECOGNISED)

[illegible]

IRELAND (REGULATED)(**)

[illegible]

ISLE OF MAN (SIB RECOGNISED)

[illegible]

ISLE OF MAN (REGULATED)(**)

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

JERSEY (REGULATED)(**)

[illegible]

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

CHEMICALS - Cont.

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ENGINEERING

ENGINEERING - Cont.

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

GAS DISTRIBUTION

ENGINEERING - Cont.

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

HEALTH CARE

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

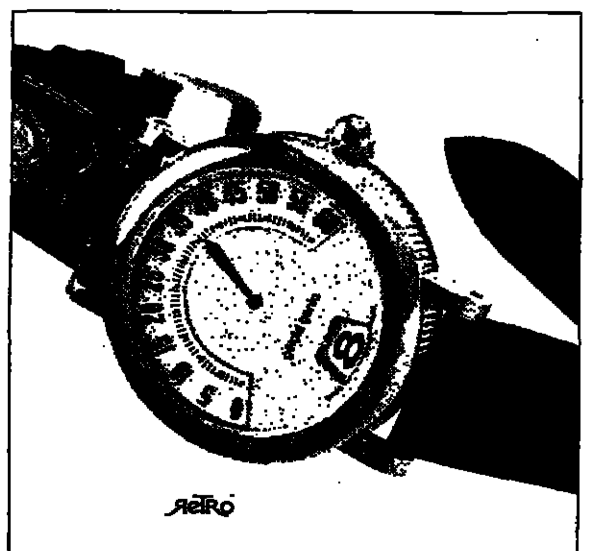
FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

	Selling Price	Buying Price	+ or -	Yield Gross
Old Mutual International (Ireland) Ltd				
PO Box 121, St Peter Port, Guernsey 01481 726726				
Emerging Markets Bond	$1.360	1.482	–	–
US$ Emerging Stockmarket	$0.923	0.992	–	–
US$ European Stockmarket	$1.285	1.381	–	–
DEM European Stockmarket	DM1.605	1.729	–	–
US$ Managed Currency	$0.930	1.000	–	–
DEM Managed Currency	DM0.930	1.000	–	–
Sterling Managed Currency	£0.930	1.000	–	–
US$ Intl Fixed Interest	$1.050	1.129	–	–
DEM Intl Fixed Interest	DM1.090	1.162	–	–
Sterling Intl Fixed Interest	£1.046	1.125	–	–
US$ Managed	$1.103	1.186	–	–
DEM Managed	DM1.211	1.302	–	–
Sterling Managed	£0.948	1.019	–	–
US$ Intl Stockmarket	$1.102	1.185	–	–
DEM Intl Stockmarket	DM1.172	1.260	–	–
Sterling Intl Stockmarket	£0.995	1.070	–	–
US$ Special Market	$0.846	0.910	–	–
DEM Special Market	DM0.961	1.033	–	–
Sterling Special Market	£0.859	0.924	–	–
Old Mutual International (Isle of Man) Ltd				
Victory Hse, Prospect Hill, Douglas, IoM 01624 662663				
European Equity	164.84	177.24	-0.78	–
UK Equity	186.23	200.24	+0.90	–
UK Gilt & Fixed Int	121.42	130.55	-0.05	–
Managed Currency	84.10	90.43	+0.03	–
International Managed	143.51	154.31	-0.46	–
Pension Managed	99.22	106.82	–	–
Global Accumulation	$0.5731	0.5517	-0.0016	–
Secure Growth	48.85	52.63	-0.08	–

	Selling Price	Buying Price	+ or -	Yield Gross
Africa Emerging Markets Fund				
NAV Mar 27	$16.5895		–	–
Agribusiness Fund Management Co				
ABC Bond	$10.60			
Class	$1.11		–	–
Alliance Capital				
ACM Research Class I (OEIC)	$1058.61		–	–
ACM Credit Arbitrage (OEIC)	$1112.55		–	–
Allied Dunbar International Fund Mngrs (1600)F				
ADI Emerging Asia	$0.6855	0.7327	+0.0050	0
Alpha Fund Management Ltd				
Alpha Europe Mar 31	Ecu285.89		–	–
Alpha Global Mar 31	$1092.49		–	–
Alpha Pacific Mar 31	$351.92		–	–
Alpha Short Mar 31	$51.45		–	–
Alpha Tiedemann Mar 31	$225.74		–	–
Apex Bank & Trust Company				
GCM Intl Convertible (OEIC)	$1261.73		–	–
GCM Intl Fixed Income (OEIC)	$1143.54		–	–
GCM Intl Equity (OEIC)	$128.93		–	–
Aravis Capital Advisors LLC				
Aravis Clipper Ltd	$128.59		–	–



	Selling Price	Buying Price	+ or -	Yield Gross
Global Asset Management - Contd.				
GAM Select				
Select American Class A	$92.30		–	–
Select American Class B	$90.37		–	–
Select European A	$113.88		+1.45	–
Select European B	$111.51		+1.35	–
Select Japan A	$100.16		–	–
Select Japan B	$112.02		–	–
Select Money Markets A	$101.38		+0.01	–
Select Money Markets B	$102.98		+0.01	–

	Selling Price	Buying Price	+ or -	Yield Gross
Jardine Fleming Unit Trusts Ltd - Contd.				
JF Asia Growth Ptflo	$9.03	8.50	-0.01	–
JF Intl Growth Ptflo	$10.77	11.41	+0.03	–
JF Money Fund – US$	$107.72	107.72	+0.01	5.21
JF Money Fund – Yen	Y1000.30	1000.30	–	0.01
JF Money Fund – DM	DM104.20	104.20	+0.01	2.83
JF Money Fund – £	£108.46	108.46	+0.01	5.82
JF Money Fund – SFr	SFr101.99	101.99	–	1.03
JF Money Fund – Ecu	Ecu105.80	105.80	+0.01	3.25

	Selling Price	Buying Price	+ or -	Yield Gross
Xiphias International Investment Fd Ltd				
Xiphias Global Growth	$11.22		–	–
Xiphias Int ECU Acc	Ecu1.8590		–	–
Zenoff Lombardier Ltd				
NAV Feb 28	$224.57		–	–
Zulauf Investment Management AG				
European Focus Apr 11	DM154.916		–	–
Zweig–DiMenna International Limited				
NAV Mar 31	$15787		–	–

OTHER OFFSHORE FUNDS

● MANAGED FUNDS NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales.

(**) Funds not SIB recognised. The regulatory authorities for these funds are:
Bermuda - Bermuda Monetary Authority
Guernsey - Financial Services Commission
Ireland - Central Bank of Ireland/Irish Department of Enterprise and Employment
Isle of Man - Financial Supervision Commission
Jersey - Financial Services Department
Luxembourg - Institut Monétaire Luxembourgeois.
Initial charge - Charge made on sale of units.
Selling price - Bid or redemption price.
Buying price - Offer or issue price.
OEIC - Open Ended Investment Company.
Time - The time shown alongside the fund manager's name is the time of the fund's valuation point unless indicated by one of the following symbols:

(¶) 0001 to 1100 hours
(§) 1101 to 1400 hours
(‡) 1401 to 1700 hours
(#) 1701 to midnight.
E Exit charge on sale of units.
C Manager's periodic charge deducted from capital.
H Historic pricing F - Forward pricing
a Distribution free of UK taxes.
p Periodic premium insurance plans.
s Single premium insurance.
u Designated as a UCITS (Undertakings for Collective Investment in Transferable Securities).
x Offered price includes all expenses except agent's commission.
y Previous day's price.
G Guernsey gross.
♦ Yield before Jersey tax.
† Ex-subdivision. xd - Ex-dividend.
‡ Only available to charitable bodies
@ Yield column shows annualised rate of NAV increase.

The fund prices published in this edition are also available at the Financial Times' web site, http://www.FT.com

Financials lead Footsie to the brink of 4,400

MARKET REPORT

By Steve Thompson, UK Stock Market Editor

Leading UK stocks bounded ahead for the seventh straight session yesterday, pulled up by Wall Street's overnight show of strength, coupled with a successful outcome to the latest gilts auction.

Other factors influencing the stock market included confirmation of the rumoured opinion poll showing the Conservatives had reduced the Labour lead to about five points from a previous figure of 14 points.

There were certainly no surprises for the market with the news that the minutes of the March meeting between Mr Kenneth Clarke, chancellor of the exchequer, and Mr Eddie George, Governor of the Bank of England, revealed the Governor seeking "the usual 25 basis points" on interest rates. As one market wag put it: "As usual Mr Clarke begged to differ."

Further important events in the market included the latest Confederation of British Industry survey of industrial trends and the March retail sales number, which, at plus 0.3 per cent, came in as expected.

The FTSE 100 index finished the session 41.6 ahead at 4,387.7 after faltering on the verge of the 4,400 level. At its best it reached 4,396.1, a session gain of 50 points. The FTSE 100 has risen 136 points, or 3.2 per cent, over the seven trading periods.

Unlike recent sessions, the upsurge in the market's leaders quickly filtered through to second liners and smaller stocks. The FTSE 250 advanced 15.1 to 4528.4, while the SmallCap added 5.0 to push back through the 2,300 mark, closing at 2,300.6.

Marketmakers were shocked at the extent of Wall Street's overnight leap, which saw the Dow Jones Industrial Average up 173 points, the second biggest points gain on record, surpassed only by the 186-point rise in the Average two days after the 508-point plunge in the Dow on "Black Monday" in 1987.

But London never looked like fully emulating the US performance, partly because of the opinion poll, which reminded investors of the possibility of a hung parliament.

"A hung parliament would be the worst outcome, a Labour victory by 200 seats the next worst. The ideal result, if Labour is to win, is a 22-seat victory, which could limit their ambitions," said the head dealer at one big European securities house.

Financial stocks remained in the vanguard of the market's advance, with banks and insurances accounting for six out of the top ten FTSE 100 performers.

Alliance & Leicester was the market's most heavily traded stock, thanks to the third and final auction of member stock.

Alliance shares resumed the upward path as the big institutions, looking at underweight positions, chased the shares in the market. Today sees the publication of a series of S198 disclosures of shareholdings in Alliance. If, as expected, one big holder is revealed, then the market expects another rush of institutional buying.

Turnover at 6pm was 822.8m shares.

Indices and ratios

FTSE 100	4387.7	+41.6
FTSE 250	4528.4	+15.1
FTSE 350	2152.7	+17.7
FTSE All-Share	2121.13	+16.45
FTSE All-Share yield	3.61	3.64
FT 30	2882.2	+27.1
FTSE Non-Fins p/e	18.36	18.23
FTSE100 Fut Jun	4412.0	+45.0
10 yr Gilt yield	7.61	7.62
Long gilt/equity yld ratio	2.11	2.09

Best performing sectors

1 Insurance +2.6
2 Oil Integrated +1.8
3 Diversified Industrials +1.6
4 Mineral Extraction +1.6
5 Other Financial +1.4

Worst performing sectors

1 Tobacco -0.4
2 Textiles & Apparel -0.3
3 Water -0.2
4 Engineering: Veh. -0.1
5 Electronic & Elect +0.1

Siebe stages a rally

By Joel Kibazo and Peter John

Shares in engineering group Siebe rose 13½ to 955p, after a positive statement regarding sales at its controls systems division.

The news came just five weeks before the group reports full-year figures at the end of next month and may help steady a stock that has fallen by around 100p in the last four weeks.

A series of downgrades and sell recommendations unsettled the shares. The bears included NatWest Securities, which issued a detailed note urging shareholders to reduce holdings.

NatWest said: "We believe that a narrowing competitive lead and slowing market growth for Foxboro (one of the US divisions) will cause growth rates to fall."

Sentiment was also hit by talk that Siebe is lining up a rights-issue-funded bid for Spirax-Sarco, up 6 at 732½p.

Insurers were in the spotlight yesterday with Royal & Sun Alliance leading the pack after a rise of 16 to 469p.

Exposure to one of the biggest ever points rises in New York's Dow Jones Industrial Average, combined with some encouraging new business figures from Commercial Union, gave the sector the help it needed.

And Royal & Sun was helped helped further by a recommendation from Goldman Sachs which raised its stance to "market outperformer" from "market performer".

Meanwhile CU lifted 13 at 653p. The insurer said new annual premiums in the first quarter were 28 per cent higher, new life, pensions and investment sales grew 25 per cent and the company's single premium sales rose 27 per cent during the period.

Analysts said the overall business had been helped by strong growth in Holland and CU seemed to be getting its product distribution right in Italy.

ABN Amro Hoare Govett was positive about the composite sector following the CU numbers. Consequently, Guardian Royal Exchange gained 7¼ to 285½p and General Accident 20½ to 831½p.

GenAcc also said favourable weather conditions in the UK and north America would result in "much improved" first-quarter figures compared with the same period last year.

Alliance & Leicester bounced 12 to 545p as some institutional players began to buy shares they failed to pick up during the three-day auction process. However, the final turnover of 57m shares principally covered the 52m shares released in Tuesday's late auction.

There was further support from BZW which issued 50m call warrants on the stock. The warrants, priced at 82½p, expire in 18 months time and have a strike price of 557p.

The average price of Tuesday's third and final auction of free shares belonging to members was just over 528p. Some 157m shares were on offer after almost 27 per cent of Alliance members opted to sell their free allocation.

Tightly-traded Schroders topped the list of Footsie performers after BZW recommended a switch into the stock from Mercury Asset Management.

The broker argued that while both groups were fundamentally sound, Schroders had fallen back over the past month and was cheap in p/e terms, standing at 15.2 times earnings against BZW's target of 16.3 times.

Schroders non-voting shares climbed 55 to £13.72½p in the non-voting shares. However, Mercury Asset Management also remained strong. The shares were up 26½ at 1297½p with dealers citing support from Cazenove.

Bank of Scotland underperformed other financials, closing only marginally firmer at 338½p despite better than expected profits.

The bank posted a 22 per cent rise in profits to £654.1m for the year to the end of February but the shares had already had a good run following appreciation of its exposure to the mortgage market and a recommendation by one broker. Some investors shifted funds into Royal Bank of Scotland, which added 13 at 565p ahead of half-yearly results on May 6.

Meanwhile, Barclays jumped 23¼ to 1058¾p in a belated response to Tuesday's annual meeting.

An agency cross of 800,000 shares, transacted at 10p above the market price, and buying in front of today's first-quarter results lifted ICI 16 to 720p. Also, PaineWebber of the US raised its rating on the group to "buy".

Speciality chemicals producer Laporte jumped 18 to 684p following a "buy" recommendation by the company's brokers BZW.

Celltech, the biotechnology stock, bounced 17½ to 575p following their drubbing on Tuesday when they were unsettled by the collapse in a US biotech stock after disappointing trial results from a leading drug.

A profits warning from electronic components distributor Eurodis Electron sent the shares plunging 37 to 133½p.

Publishing its third-quarter trading statement, the company said it anticipated the results for the second half will fall "well short" of current forecasts. It blamed high operational gearing and the continuing strength of sterling.

Further bad news came from engineering company Molins, which revealed accounting irregularities that had overstated its 1996 profits. Molins said accounting errors at Langston, its US subsidiary, could impact on profits by around $12m. Adjustments will probably be treated as exceptional items in the group's 1997 accounts. Molins gave up 97½ to 645p, the worst performer in the FTSE 250.

UMECO rose 38½ to 297p after it said it was buying Wellman for £9.2m. It has arranged a placing and open offer of 4.09 m new shares at 240p a share to meet the costs of the purchase.

News of an ICM opinion poll showing the Labour party's lead over the Conservative party narrowing was said to have been behind the advance in Railtrack, up 13½ to 460½p.

The possibility of Sunderland football club being relegated from the Premier division weakened the shares yesterday. They gave up 40 to 487½p.

Pearson was one of the few stocks to trade markedly lower. The shares were off 9½ at 719p on low volume with some reaction to reports that Channel 5 had lost a quarter of its viewers since its launch.

Bentalls, the department store group, added 11 at 138½p after the company announced trebled profits.

Tarmac improved a penny at 118½p with some support from a "buy" note issued by Robert Fleming Securities.

FT 30 INDEX

	Apr 23	Apr 22	Apr 21	Apr 18	Apr 17	Yr ago	*High	*Low
FT 30	2882.2	2855.1	2844.4	2834.5	2834.1	2851.9	2931.4	2668.8
Ord. div. yield	3.85	3.88	3.90	3.92	3.92	3.88	4.22	3.76
P/E ratio net	17.25	17.09	17.00	16.93	16.94	16.76	18.09	15.80
P/E ratio nil	17.08	16.91	16.82	16.76	16.76	16.52	17.87	15.71

FT 30 since compilation: high 2931.4 10/03/97: low 49.4 26/06/40. Base Date: 1/7/35.

FT 30 hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2882.1	2875.8	2875.4	2881.5	2882.5	2886.1	2887.2	2884.1	2881.0	2887.3	2872.8

	Apr 23	Apr 22	Apr 21	Apr 18	Apr 17	Yr ago
SEAQ bargains	48,378	47,801	55,591	38,573	40,048	38,235
Equity turnover (£m)†	-	NA	2113.7	1977.3	1890.2	2174.9
Equity bargains†	-	NA	46,091	38,883	37,568	42,910
Shares traded (mI)†	-	NA	689.9	680.4	765.5	888.3

†Excluding intra-market and overseas turnover but including Coast turnover.

	Apr 23	Apr 22	Apr 21	Apr 18	Apr 17	Yr ago	*High	*Low
FTSE AIM	1089.6	1089.2	1092.5	1090.7	1089.7	1040.3	1140.4	985.7

 *For 1997.

London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	837	Total Highs	77	Total contracts	38,873
Total Falls	315	Total Lows	40	Calls	25,980
Same	1,252			Puts	12,893

Apr 23 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

FTSE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	4405.0	4408.0	+45.0	4420.0	4387.0	14443	61561
Sep	4416.0	4435.0	+46.0	4427.0	4418.0	194	2901
Dec	4466.0	4476.0	+47.0	4456.0	4466.0	50	40

FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	-	4590.0	+15.0	-	-	0	4841

FTSE 100 INDEX OPTION (LIFFE) (*4385) £10 per full index point

	4200 C	4200 P	4250 C	4250 P	4300 C	4300 P	4350 C	4350 P
May	211	12½	168	18½	128½	27	89	49
Jun	248	37	208½	48	167	59½	133	76½
Jul	274	51	234½	65½	199	77½	160½	95½
Aug	289½	68	248	79½	214	95½	182½	114
Dec†	385	108			304	141		

Calls 14,898 Puts 4,097

EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point

	4225 C	4225 P	4275 C	4275 P	4325 C	4325 P	4375 C	4375 P
May	185½	15	146	22½	186	32	72	48½
Jun	223	41½	186½	53½	148½	67	117½	84½
Jul	258½	56	213½	68½	178½	83	148½	100½
Sep	291	86			222½	115		
Dec†	354	112			286	140½		

Calls 7,140 Puts 4,705 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1997 High	1997 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
*	F.P.	3,172	576	532½	Alliance & Leic	545	+12	L16.3	2.6	3.7	18.4
§100	F.P.	25.0	100	99	Aurora Inv Trust	100		-	-	-	-
§106	F.P.	66.0	103½	86½	†Avalon Oil	86½		-	-	-	-
	F.P.	754.1	142½	124	Axis Europa	129½	-1½	N4.12	2.7	3.2	14.7
§	F.P.	5.87	44½	38½	†Bickerton	38½		-	-	-	21.5
§40	F.P.	12.6	65	54½	†Charlton Athltc	57½	+1½	-	-	-	-
	F.P.	38.0	95	95	Close Bros Pr VCT	95		-	-	-	-
§	F.P.	11.3	74½	70½	Domitianonio	74½		0.5	Φ	0.8	Φ
§175	F.P.	53.9	207½	175	Harvey Nash	193½	-3	F4.0	-	2.6	-
§175	F.P.	25.9	212½	198	Heal's	212½		L3.9	3.1	2.3	16.5
§44	F.P.	4.08	50	48	†Methven's	48		-	-	-	-
50	F.P.	19.8	54½	50½	†NMT	50½	-2	-	-	-	-
§135	F.P.	177.6	144½	114	Newcastle-Utd	124	+3	u1.6	-	1.6	-
*	F.P.	1.71	28½	28½	†Northstar Secs	28½		-	-	-	-
	F.P.	4.75	95	95	Oxford Tech Vent	95		-	-	-	-
-	F.P.	39.5	16	12½	†Sibir Energy	15½		-	-	-	-
§100	F.P.	10.2	105½	102½	†Soccer Investmnt	102½		-	-	-	-
-	F.P.	12.4	107½	107½	†Torch Hldgs	107½		-	-	-	-
-	F.P.	73.4	61½	59	Utd Overseas Grp	61½		-	-	-	13.3
§	F.P.	-	177	177	Worldsec	177		-	-	-	-

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

FTSE GOLD MINES INDEX

	Apr 22	% chg on day	Apr 21	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (32)	1922.76	-1.5	1948.38	2285.45	2.18	-	2362.86	1922.76
Regional Indices								
Africa (14)	1843.07	+0.0	1842.16	3659.45	4.85	29.17	3197.52	1830.67
Australasia (5)	1880.66	+0.2	1876.36	2590.98	2.84	20.53	2844.14	1799.26
North America (12)	1387.93	-2.5	1423.43	1980.45	0.98	54.16	2128.45	1387.93

 Figures in brackets show number of companies. Basis US Dollars. Base Value: 1000.00 31/12/92. † Partial. Latest prices were unavailable for this edition.

FTSE Actuaries Share Indices — The UK Series

	Apr 23	Day's chge%	Apr 22	Apr 21	Apr 18	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FTSE 100	4387.7	+1.0	4346.1	4328.7	4310.5	3817.6	3.69	2.08	16.33	62.29	1862.17
FTSE 250	4528.4	+0.3	4513.3	4518.2	4517.7	4544.7	3.54	1.54	22.95	52.27	1877.48
FTSE 250 ex IT	4568.0	+0.3	4554.6	4560.2	4560.3	4582.6	3.63	1.56	22.05	53.70	1898.85
FTSE 350	2152.7	+0.8	2135.0	2128.7	2121.5	1930.9	3.66	1.97	17.35	29.38	1865.45
FTSE 350 Higher Yield	2085.3	+0.8	2068.8	2065.0	2057.1	1859.5	4.73	1.85	14.29	34.17	1528.87
FTSE 350 Lower Yield	2226.1	+0.9	2207.2	2198.0	2191.7	2009.8	2.56	2.20	22.15	24.22	1580.97
FTSE SmallCap	2300.57	+0.2	2295.66	2295.65	2296.04	2206.88	3.04	1.69	24.31	23.87	1942.67
FTSE SmallCap ex IT	2312.25	+0.2	2308.57	2308.18	2309.28	2196.42	3.23	1.77	21.91	25.45	1967.48
FTSE All-Share	2121.13	+0.8	2104.68	2098.91	2092.44	1912.25	3.61	1.95	17.74	28.42	1865.45

FTSE Actuaries Industry Sectors

	Apr 23	Day's chge%	Apr 22	Apr 21	Apr 18	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(20)	4138.74	+1.5	4073.80	4023.00	3998.94	3477.90	3.81	2.15	15.12	70.25	1843.80
12 Extractive Industries(5)	4124.46	+1.1	4080.96	4062.27	4067.37	4628.11	3.82	2.39	13.73	104.80	1260.72
15 Oil, Integrated(3)	4262.53	+1.6	4194.11	4130.65	4102.59	3471.58	3.81	2.11	15.55	70.72	1953.01
16 Oil Exploration & Prod(12)	3499.79	+0.7	3475.74	3455.70	3448.21	2508.98	1.85	2.19	34.55	34.84	2142.17
20 GEN INDUSTRIALS(270)	1979.21	+0.5	1969.68	1970.37	1971.22	2164.24	4.03	1.92	16.12	26.29	1121.95
21 Building & Construction(35)	1360.65	+0.5	1353.83	1350.24	1351.27	1260.38	3.17	1.90	20.71	19.55	1178.75
22 Building Matls & Merchs(31)	1894.15	+0.1	1891.80	1892.89	1893.69	1994.09	4.24	2.78	10.62	29.04	994.32
23 Chemicals(28)	2264.59	+1.2	2238.80	2226.81	2231.07	2609.64	4.64	1.59	17.01	38.84	1117.91
24 Diversified Industrials(16)	1489.18	+1.6	1460.28	1465.05	1467.66	1606.82	4.87	2.05	12.53	28.04	873.58
25 Electronic & Elect Equip(38)	2149.54	+0.1	2147.91	2153.32	2150.15	2403.85	3.88	1.56	21.93	8.12	1145.78
26 Engineering(70)	2554.87	+0.2	2549.21	2557.49	2566.45	2497.23	3.31	2.46	15.32	29.53	1698.94
27 Engineering, Vehicles(13)	2771.59	-0.1	2773.71	2787.98	2784.59	3069.14	4.01	‡	‡	27.83	1477.83
28 Paper, Pckg & Printing(27)	2451.79	+0.3	2444.38	2442.78	2445.54	2818.13	4.27	1.86	15.76	39.50	1082.26

FTSE INTERNATIONAL

TRADING VOLUME

Major Stocks Yesterday

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

[illegible]

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

MEDIA - Cont.

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PHARMACEUTICALS

[illegible]

PHARMACEUTICALS - Cont.

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

RETAILERS, GENERAL - Cont.

[illegible]

SUPPORT SERVICES

[illegible]

SUPPORT SERVICES - Cont.

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TEXTILES & APPAREL - Cont.

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

AIM

[illegible]

AIM - Cont.

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

	Notes	Price	+ or -	52 week high	52 week low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind R		£24[illegible]	—	[illegible]	£20¼	1,909	3.0	⊕
[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	1,[illegible]	2.2	14.1
Gold Flds Prop R	†	134½	+1	171½	120	13.8	6.7	10.0
SA Brews		[illegible]	[illegible]	[illegible]	21¾	5,[illegible]	1.9	⊕
Standard Bank		[illegible]	[illegible]	[illegible]	[illegible]	3,[illegible]	1.3	24.3
Tiger Oats		[illegible]	+12	[illegible]	770	1,[illegible]	1.7	20.8
Tongaat-Hulett		759½	+5¼	1125	676¼	718.9	2.4	⊕

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service are delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings' formats.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ⊕ Figures or report awaited
- Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- Free annual/interim report available, see details below.
- Rule 4.2(a) Irish incorporated non-listed companies.
- Price at time of suspension
- Indicated dividend yield after pending scrip and/or rights issue
- Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend. b Figures based on prospectus or other official estimates. c Assumed dividend [illegible] e Earnings based on preliminary figures. s Dividend yield excludes a special payment. t Indicated dividend yield, p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings. z Dividend yield includes a special payment. F Yield based on prospectus or other official estimates for 1996-97. G Assumed yield after [illegible] [illegible] 1997. K Yield based on prospectus or other official estimates for 1998. L Estimated annualised yield, p/e based on latest annual earnings. M Yield based on prospectus or other official estimates for 1997-98. N Dividend is paid in whole or part as a [illegible] FD (Foreign Income Dividend) R Forecast annualised yield, p/e based on prospectus or other official estimates. [illegible]

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1425 a year for each security shown, subject to the Editor's discretion.

FT Free Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣. Please quote the code FT9680. Ring 0181 770 0770 (open 24 hours including weekends) or Fax 0181 770 3822. Reports will be sent the next working day, subject to availability.

FT Company Focus / Focus Plus

Comprehensive 10-18 page report available on this company, containing key news stories from the last year, latest survey of City profit forecasts and investment recommendations, 5 year financial and share price performance review, balance sheet and profit and loss data, plus recent Stock Exchange announcements.
Company Focus (FT news) £8.45.
Focus Plus (FT and Investors Chronicle news) £10.95.
To order, call 0121 200 4878.
Reports published by ShareFinder.

FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details.
Calls are charged at 50p per minute at all times.
An international service is available for callers outside the UK, annual subscription £250 stg.
Call 0171 873 4378 for more information on FT Cityline.
The share prices printed on these pages are also available on the Internet at http//www.FT.com.

4 pm close April 23

NEW YORK STOCK EXCHANGE PRICES

- A -

1997 High	1997 Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
30¾	24¼	AAR	0.48	1.6	22	237	29⅞	29⅝	29⅝	-⅛
43	33⅛	AMP	1.04	3.0	28	4804	35½	34⅞	35⅛	+¼
89⅝	78¼	AMR			7	10884	u92¼	89	92	+3⅛
37⅝	32⅝	ASA	1.20	3.8	21	230	32½	d32	32	-½
61⅞	49¾	Abbott L x	1.08	1.8	24	9465	60⅞	59¾	59⅞	-½
17½	14⅞	Abitibi Pr	0.40	2.5	8	212	15⅞	15¾	15⅞	+⅛
19¾	17⅜	ABM Ind x	0.40	2.2	17	37	18⅝	18¼	18½	+¼
23	17¼	Acpt Insur			9	16	18⅝	18⅝	18⅝	
66⅝	58⅛	ACE Ltd	0.72	1.2	10	2434	60½	59⅞	59⅞	
10⅝	10	ACM Gvt In	0.90	8.9	11	109	10¼	10⅛	10⅛	
7⅝	7	ACM GvOpp	0.63	8.7		42	7⅜	7¼	7¼	-⅛
9⅝	9¼	ACM Man	0.90	9.4		102	9⅝	9½	9⅝	
10⅝	8¼	Acme Elect				61	8⅝	8½	8½	
20	13⅞	Acme Mills			59	66	14	d13¾	13¾	-⅛
33	27¼	Acordia	0.80	2.6	15	85	31⅞	31⅝	31½	-¼
29¾	21⅛	Acuson				663	23¾	23	23⅝	+⅜
21	19⅝	Adams Exp	0.55	2.7	1	115	20⅝	20¼	20⅜	+⅛
48½	24⅞	Adelphia				18185	39¼	37⅜	37½	-¼
15	10⅜	Advest Gp	0.03	0.2	9	59	12¾	12½	12½	-⅛
14⅝	11⅜	Advo Inc			28	90	12¼	12⅛	12¼	+⅛
73⅝	61⅛	Aegon	1.45	2.0	20	22	72⅛	71⅝	71¾	+¼
5⅛	3⅛	Aeritx				216	3½	3⅜	3⅜	
40⅝	33	Aero-V	0.80	2.1	11	1271	39¼	36¾	39	+2¼
67⅞	48	AES Corp				20	60⅛	60⅛	60⅛	+2⅝
95⅞	73	Aetna x	0.80	0.9	82	2666	87⅛	85½	85⅝	-⅛
43½	37½	Aflac	0.40	1.0	15	1161	41¼	40⅞	41¼	+⅞
21⅝	18⅞	AGL Res	1.08	5.6	14	1066	19½	19¼	19⅜	+¼
45¼	32	Ahmanson	0.88	2.4	26	5655	37	36	36⅝	+⅝

- B -

- C -

- D -

- E -

- F -

- G -

- H -

- I -

- J -

- K -

- L -

- M -

- N -

- O -

- P - Q -

- R -

- S -

Continued on next page

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Apr 23 / Sch)

[illegible]

BELGIUM/LUXEMBOURG (Apr 23 / Frs.)

[illegible]

CZECH REP (Apr 23 / Koruna)

[illegible]

DENMARK (Apr 23 / Kr)

[illegible]

FINLAND (Apr 23 / Mkk)

[illegible]

FRANCE (Apr 23 / Frs.)

[illegible]

GERMANY (Apr 23 / Dm.)

[illegible]

GREECE (Apr 23 / Drachma)

[illegible]

ITALY (Apr 23 / Lire)

[illegible]

NETHERLANDS (Apr 23 / Fls.)

[illegible]

NORWAY (Apr 23 / Kroner)

[illegible]

POLAND (Apr 23 / Zloty)

[illegible]

PORTUGAL (Apr 23 / Escudo)

[illegible]

SPAIN (Apr 23 / Pta.)

[illegible]

SWEDEN (Apr 23 / Kronor)

[illegible]

SWITZERLAND (Apr 23 / Frs.)

[illegible]

TURKEY (Apr 17 / Tk Lira)

[illegible]

PACIFIC

JAPAN (Apr 23 / Yen)

[illegible]

AUSTRALIA (Apr 23 / Aust$)

[illegible]

HONG KONG (Apr 23 / H K $)

[illegible]

INDONESIA (Apr 23 / Rupiah)

[illegible]

MALAYSIA (Apr 23 / MYR)

[illegible]

NEW ZEALAND (Apr 23 / NZ $)

[illegible]

SINGAPORE (Apr 23 / S$)

[illegible]

SOUTH KOREA (Apr 23 / Won)

[illegible]

TAIWAN (Apr 23 / TW $)

[illegible]

THAILAND (Apr 23 / Baht)

[illegible]

AFRICA

SOUTH AFRICA (Apr 23 / Rand)

[illegible]

NORTH AMERICA

CANADA

MONTREAL (Apr 23 / Can $) 4 pm close

[illegible]

TORONTO (Apr 23 / Can $) 4 pm close

[illegible]

Prices supplied by Extel, part of FT Information.

NOTES – Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. * Calendar year high and low. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

♣ FT Free Annual Reports Service
You can obtain the current annual reports of any companies on this page with a ♣ symbol. For North American companies you can either ring +1 804 320 8087, or fax your request to +1 804 320 8135 or order online at http://www.icbinc.com/cgi-bin/ft. For companies from ALL other countries ring 0181 770 0770 or fax your request to 0181 770 3822 (outside UK ring +44 181 770 0770 or fax your request to +44 181 770 3822).

INDICES

	Apr 23	Apr 22	Apr 21	1997 High	1997 Low
Argentina					
General(29/12/77)	(u)	20394.0	19926.87	21551.32 24/2	18237.37 2/1
Australia					
All Ordinaries(1/1/80)	2472.3	2447.6	2445.8	2501.70 18/2	2352.20 1/4
All Mining(1/1/80)	907.2	898.1	901.0	987.10 24/2	878.40 16/4
Austria					
Credit Aktien(30/12/84)	405.23	403.08	400.86	416.23 11/3	374.49 9/1
Traded Index(2/1/91)	1208.71	1199.17	1194.14	1258.43 11/3	1130.22 8/1
Belgium					
BEL20(1/1/91)	2209.03	2196.43	2183.20	2220.77 11/3	1871.05 2/1
Brazil					
Bovespa(29/12/83)	(u)	9474.0	(c)	9837.00 7/4	6855.59 2/1
Canada					
Metals & Minls♦(1975)	(u)	5214.00	5109.38	6891.76 10/3	4945.86 11/4
Composite♦(1975)	(u)	5855.40	5797.70	6332.98 10/3	5879.30 14/4
Portfolio§§(4/1/83)	(u)	2982.70	2938.02	3214.10 10/3	2948.82 11/4
Chile					
IGPA Gen♥(31/12/80)	(u)	5360.16	5345.59	5443.52 25/2	4812.42 2/1
Denmark					
CopenhagenSE(3/1/83)	542.01	537.46	534.49	555.49 11/3	478.14 2/1
Finland					
HEX General(28/12/90)	2851.64	2828.17	2838.13	3008.38 11/3	2483.28 2/1
France					
SBF 250(31/12/90)	1712.17	1700.69	1705.81	1816.38 10/3	1533.19 2/1
CAC 40(31/12/87)	2533.64	2514.87	2522.57	2789.21 10/3	2256.87 2/1
Germany					
FAZ Aktien(31/12/58)	1170.41	1157.81	1151.95	1192.09 11/3	986.21 2/1
Commerzbank(1/12/53)	3426.20	3385.4	3364.3	3472.28 27/3	2878.90 2/1
DAX‡(30/12/87)	3385.95	3340.33	3347.58	3488.58 11/3	2848.77 2/1
Greece					
Athens SE(31/12/80)	1442.19	1432.97	1441.04	1483.60 26/2	954.64 2/1
Hong Kong					
Hang Seng(31/7/64)	12707.04	12580.85	12626.04	13868.24 20/1	12055.17 3/4
India					
BSE Sens.(1978)	3828.99	3800.63	3799.79	3944.81 4/3	3225.24 2/1
Indonesia					
Jakarta Comp.(10/8/82)	651.45	646.24	642.26	712.89 26/2	631.27 15/4
Ireland					
ISEQ Overall(4/1/88)	3027.88	3008.51	3010.01	3059.83 11/3	2726.07 2/1
Italy					
Banca Comm Ital(1972)	772.08	786.80	770.88	797.71 10/2	642.55 2/1
MIB General(2/1/97)	1161.0	1153.0	1159.0	1197.00 10/2	991.00 2/1
Japan					
Nikkei 225(16/5/49)	18735.47	18544.45	18551.88	19446.00 6/1	17303.65 10/1
Nikkei 300(1/10/82)	275.08	271.88	272.12	282.45 6/1	251.04 27/1
Topix(4/1/68)	1420.79	1405.58	1404.70	1480.88 6/1	1320.82 10/4
2nd Section(4/1/68)	1647.91	1631.82	1609.27†	1829.21 6/1	1516.59 15/4
Malaysia					
KLSE Comp.(4/4/86)	1109.8	1120.50	1127.60	1271.57 25/2	1086.67 15/4
Mexico					
IPC(Nov 1978)	(u)	3815.53	3758.54	3898.69 25/2	3369.46 2/1
Netherland					
CBS TtlRtnGen(End 83)	877.2	866.9	862.2	885.70 11/3	730.80 2/1
CBS All Shr(End 83)	513.3	507.4	504.6	519.89 11/3	429.00 2/1
New Zealand					
Cap. 40(1/7/86)	2254.54	2250.84	2252.30	2440.21 20/1	2287.48 1/4
Norway					
Oslo SE(Ind)(2/1/83)	1862.78	1858.50	1851.08	1941.49 20/2	1639.03 2/1
Philippines					
Manila Comp(2/1/85)	2913.56	2860.45	(c)	3447.60 3/2	2860.46 22/4
Portugal					
BVL 30(4/1/93)	2684.49	2641.87	2628.65	2684.49 23/4	2166.57 2/1
Singapore					
SES All-S'pore(2/4/75)	498.22	499.81	501.22	573.83 17/2	498.22 23/4
South Africa					
JSE Gold(28/9/78)	1231.8♥	1263.4	1257.6	1688.18 27/2	1231.88 23/4
JSE Indl.(28/9/78)	8414.8♥	8374.5	8338.8	8425.52 25/2	7858.59 2/1
South Korea					
KoreaCompEx**(4/1/80)	693.05	687.96	697.34	721.00 14/2	611.06 7/1
Spain					
Madrid SE(30/12/85)	504.41	498.38	494.36	504.41 23/4	424.54 2/1
Sweden					
AffarsvardsGen(1/2/37)	(u)	2654.5	2673.6	2832.48 10/3	2378.50 2/1
Switzerland					
Swiss Bk Ind(31/12/58)	2268.70	2260.45	2255.44	2268.79 23/4	1817.95 13/1
SBC General(1/4/87)	1587.34	1578.51	1573.12	1587.34 23/4	1318.14 6/1
Taiwan					
WeightedPr.**(30/6/66)	8576.94	8430.62	8421.87	8655.82 9/4	6844.75 6/1
Thailand					
Bangkok SET(30/4/75)	689.79	691.16	694.21	858.97 22/1	676.85 6/3
Turkey					
IMKB Nat 100(1986)	(c)	(c)	(c)	1664.00 21/3	895.00 2/1
WORLD					
MS Capital Intl$(1/1/70)	828.2*	823.6	819.4	854.40 25/2	784.50 14/4
CROSS-BORDER					
Eurotrack 100(26/10/90)	2201.74	2184.59	2185.17	2231.83 11/3	1893.80 2/1
Euro Top-100(26/6/90)	1871.70	1868.54	1855.67	1894.47 11/3	1582.99 2/1
HSBC JC Drgn(31/12/88)	(u)	388.71	390.06	429.46 20/1	383.78 15/4
ING Bargs Emrg(7/1/92)	173.81	172.80	173.23	181.33 28/2	159.74 3/1

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
CAC-40 (200 x Index)							
Apr	2543.0	2536.0	+21.0	2550.0	2526.0	13,562	26,733
May	2531.0	2522.0	+20.5	2535.5	2518.0	2,471	5,816
DAX							
Jun	3416.0	3370.0	+8.0	3417.0	3389.0	19,904	–
Sep	3434.0	3395.5	+10.0	3439.0	3397.0	108	–
OMX							
Apr	2075.00	2035.00	–18.00	2081.00	2034.00	9,420	11,509
May	2066.00	2025.00	–18.00	2076.25	2024.00	6,332	11,810
SOFFEX							
May	4794.0	4770.0	+28.0	4804.0	4765.6	4,968	29,783
Jun	–	4785.0	+28.0	–	–	1	840

US INDICES

Dow Jones	Apr 22	Apr 21	Apr 18	1997 High	1997 Low	Since compilation High	Since compilation Low
Industrials	6833.59	6660.21	6703.55	7085.16 (11/3)	6391.69 (11/4)	7085.16 (11/3/97)	41.22 (8/7/32)
Home Bonds	101.58	101.59	101.65	103.63 (19/2)	101.09 (14/4)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	2535.86	2486.85	2501.33	2535.86 (22/4)	2222.07 (2/1)	2535.86 (22/4/97)	13.23 (8/7/32)
Utilities	212.34	212.06	213.18	240.85 (22/1)	210.87 (14/4)	256.46 (31/8/93)	16.53 (8/7/32)

DJ Ind. Day's high 6858.08 (6768.17) Low 6628.50 (6594.38) (Theoretical♦)
Day's high 6834.40 (6721.21) Low 6657.40 (6616.86) (Actual♦)

Standard and Poors	Apr 22	Apr 21	Apr 18	1997 High	1997 Low	Since compilation High	Since compilation Low
Composite‡	774.61	760.37	766.34	816.29 (18/2)	737.01 (2/1)	816.29 (18/2/97)	4.40 (1/6/32)
Industrials♥	913.77	896.64	902.66	960.96 (18/2)	865.42 (11/4)	958.96 (18/2/97)	3.52 (30/6/32)
Financial	85.94	84.16	85.37	87.25 (10/3)	80.75 (2/1)	87.25 (10/3/97)	7.13 (4/9/74)
NYSE Comp.	405.84	399.40	402.64	427.70 (10/3)	389.47 (11/4)	427.70 (10/3/97)	4.64 (25/4/42)
Amex Comp.	544.86	551.47	556.01	603.63 (10/3)	544.86 (22/4)	617.61 (22/5/96)	524.20 (16/7/96)
NASDAQ Comp	1212.74	1203.95†	1222.57	1388.08 (22/1)	1201.00 (2/4)	1388.08 (22/1/97)	54.87 (3/10/74)

■ RATIOS

	Apr 18	Apr 11	Apr 4	Year ago
Dow Jones Ind. Div. Yield	1.82	1.94	1.97	2.17
	Apr 16	Apr 9	Apr 2	Year ago
S & P Ind. Div. yield	1.82	1.83	1.86	1.90
S & P Ind. P/E ratio	21.85	21.72	21.45	21.13

■ NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Change on day
Philip M	10,123,400	42	-½
AT & T	8,104,400	32	-1
Astra AB	7,941,000	39⅝	-⅞
Micron Tc	7,379,000	35	-¾
Natl Semi	7,339,700	23½	-3⅜
Coca Cola	5,484,000	61⅝	+3
Diebold	4,834,800	31¾	+⅜
Chase Mn	4,335,800	87⅛	+1⅞
Ikon Ofc	3,259,400	21⅛	-2⅝
Seagate Tc	3,150,700	44¾	+1⅝

■ TRADING ACTIVITY

● Volume (million)

	Apr 22	Apr 21	Apr 18
New York SE	501.976	397.293	472.327
Amex	24.845	17.175	16.915
NASDAQ	633.983	557.124	586.280
NYSE			
Issues Traded	3,332	3,317	3,277
Rises	1,541	907	1,505
Falls	961	1,660	928
Unchanged	830	750	844
New Highs	55	44	39
New Lows	69	59	36

	Open	Latest	Change	High	Low	Est. vol.	Open int.
■ S&P 500							
Jun	780.05	779.80	-0.95	781.25	779.55	88,114	182,378
Sep	–	786.80	–	–	771.90	230	5,583

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
■ Nikkei 225							
Jun	18790.0	18770.0	+220.0	18860.0	18650.0	23,178	225,210

Open Interest figures for previous day.

** Sat Apr 19: Taiwan Weighted Price 8302.25; Korea Comp Ex 700.65. Base values of all indices are 100 except: Australia All Ord and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., BVL30, SBF250, CAC40, Euro Top-100, ISEQ Overall, Toronto Comp/Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 35 Industrials – 264.3; IMKB Nat 100 - 1; NYSE All Common – 50; Standard & Poor's – 10 and Amex Comp – 550. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Apr 23 - 3366.87 +17.97. † Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

■ TOKYO - MOST ACTIVE STOCKS: Wednesday, April 23, 1997.

	Stocks Traded	Closing Prices	Change on day
Nippon Steel	14.8m	364	-1
Fuji Heavy Inds	13.9m	609	+19
Nomura Sec	8.8m	1,390	+20
Fujitsu	6.9m	1,290	+10
NKK	5.6m	277	+6
Daiwa Sec	5.6m	882	+37
Mitsubishi Chem	5.3m	425	-1
NEC	5.3m	1,520	+20
Sumitomo Mtl Ind	5.1m	310	+3
Kobe Steel	4.7m	227	+6

US shares mixed as techs advance

AMERICAS

Technology stocks were at the centre of attention in otherwise quiet midsession trading in New York in a reversal of the recent trend, *writes John Authers.*

Volume on the NYSE was also slightly higher than during recent sessions, with 283.4m shares traded by 1pm.

All the most closely watched technology stocks showed significant gains by midday, including Intel, the largest semiconductor manufacturer, up $2⅞ at $144, Microsoft, $3¾ higher at $114⅝, and Oracle $1⅞ ahead at $57.

These comfortably outweighed a 21 per cent fall in Novell, the computer manufacturer, which fell $1⅛ at $7¼, after Tuesday evening's second-quarter profits warning.

By midsession, the Nasdaq composite showed a gain of 10.89 at 1,223.13. By contrast, the Dow Jones Industrial Average had retreated slightly after Tuesday's 173.38-point gain, the largest daily rise of the decade, and was down 22.07 at 6,811.52.

The Standard & Poor's 500 was barely changed, off 1.12 at 773.42.

Most of the Dow constituents to register falls had shown strong gains on Tuesday. These included General Electric, down $2 at $106¾, and Procter & Gamble, $1¾ lower at $127.

Financial stocks were weak, possibly because yields moved upwards in the bond market ahead of a treasury auction, with shares in J.P. Morgan down $1¼ at $95⅝.

Corporate earnings reports produced some of the sharpest moves, with the profit warning by Saks Holdings, the department store group, seeing its shares drop by more than 30 per cent, down $6⅞ at $15⅞.

TORONTO pushed higher in early trading, adding to the strong gains of the previous day. At noon, the 300 composite index was 19.83 ahead at 5,875.20.

Golds remained a dull spot, but there was plenty to go for on the industrial pitches, notably at Northern Telecom, which continued to stride ahead on the back of Tuesday's upbeat earnings announcement. The shares were C$1.70 higher at C$97.70 at the end of the morning, having jumped by C$4.05 a day earlier.

LIMA made a muted response to the end of the 126-day hostage crisis. Local analysts attempted to talk the market up with the message that Tuesday's developments should put an end to investor uncertainty and would allow the economy to resume its path of sustained growth. By midsession, the general index was 15.21 higher at 1,758.69.

SAO PAULO moved confidently higher at midsession, in spite of concerns over possible delays to the privatisation of CVRD, the state mining giant. The Bovespa index rose 127 to 9,600 as investors awaited court rulings on two injunctions which questioned aspects of the planned CVRD sell-off.

Industrials help keep South Africa ahead

Golds fell back in Johannesburg but a further advance for industrials pushed the all-share index ahead for the fourth day running to 7,080.2, up 14.3.

Volume was well above average and dealers said sentiment remained firm, helped by continued talk of a cut for interest rates ahead of this week's raft of economic data.

South African money supply, private sector credit growth and trade figures were all due today and tomorrow. At the close, the industrials index was up 40.3 at 8,414.8.

First National Bank retreated 25 cents to R31.50. Dull bullion pushed golds down 31.6 to 1,231.8.

Emerging markets: IFC weekly investable price indices

Market	No. of stocks	Dollar terms April 18 1997	Dollar terms % Change over week	Dollar terms % Change on Dec '96	Local currency terms April 18 1997	Local currency terms % Change over week	Local currency terms % Change on Dec '96
Latin America	(250)	627.46	-0.8	+8.8			
Argentina	(30)	1,008.53	+2.4	+8.1	618,529.83	+2.4	+8.1
Brazil	(68)	494.60	-1.4	+24.8	1,964.46	-1.2	+27.5
Chile	(46)	719.13	+0.6	+18.0	1,220.46	+0.2	+18.5
Colombia*	(14)	822.50	+1.8	+29.9	1,530.00	+1.0	+26.5
Mexico	(64)	590.82	+1.3	+11.5	2,005.03	+0.6	+25.3
Peru*	(19)	240.40	+0.9	+22.2	+891.24	+0.7	+25.5
Venezuela*	(9)	705.86	+0.9	-2.7	7,612.65	+1.3	-2.0
Asia	(710)	242.52	-2.8	-4.1			
China*	(27)	78.53	+4.5	+8.5	82.22	+4.5	+8.5
South Korea*	(156)	74.53	-0.9	-3.5	87.58	-0.7	+2.0
Philippines	(42)	204.08	-1.4	-10.1	256.40	-1.4	-9.8
Taiwan, China*	(90)	172.05	-3.6	+13.2	178.46	-3.5	+12.6
India*	(76)	92.39	+1.9	+17.3	117.36	+1.7	+17.4
Indonesia*	(49)	120.31	+0.1	-5.7	157.53	+0.3	-3.6
Malaysia	(148)	304.26	-3.6	-8.6	282.19	-3.3	-10.1
Pakistan*	(28)	228.04	-2.2	+16.5	416.88	-2.2	+16.5
Sri Lanka*	(5)	111.27	+10.4	+17.0	143.04	+10.6	+21.5
Thailand	(87)	190.75	-0.2	-13.8	197.47	-0.3	-13.4
Euro/Mid East	(284)	156.62	+0.3	+15.8			
Czech Rep	(7)	84.44	-2.9	-8.2	84.60	-2.0	+1.7
Egypt	(18)	109.72	+0.9	-	108.50	+0.8	-
Greece	(54)	329.55	+1.1	+36.0	604.32	+0.9	+49.2
Hungary*	(12)	242.61	+3.4	+23.3	528.63	+3.3	+37.5
Jordan	(7)	189.69	+0.7	+1.5	263.06	+0.8	+1.5
Morocco	(5)	134.19	+8.2	-	136.62	+8.0	-
Poland*	(18)	734.56	+0.1	+0.3	1,449.65	+0.5	+8.2
Portugal	(26)	158.15	+1.3	+8.2	187.65	+1.5	+20.3
Russia	(15)	109.04	+0.8	-	111.47	+0.8	-
Slovakia	(5)	106.12	-5.6	-	109.17	-5.5	-
South Africa*	(63)	234.04	-0.1	+12.2	215.09	-0.1	+8.7
Turkey*	(58)	204.48	+0.8	+57.5	12,881.82	+2.4	+99.0
Zimbabwe*	(5)	569.80	+1.9	+24.8	982.85	+2.1	+25.6
Composite	(1224)	318.02	-0.8	+6.8			

Indices are calculated at end-week; weekly changes are percentage movement from the previous Friday. Base date: Dec 1988=100 except [illegible]

The Israeli market looked to be back on track, albeit a rocky one, yesterday after last week's political storm that at times appeared to raise the prospect of early general elections, *writes Michael Morgan.*

The market fell 3.6 per cent last week as stunned investors digested news that police had recommended prosecution of Mr Benjamin Netanyahu, the prime minister, for alleged fraud and breach of trust over the short-lived appointment of an attorney-general in January. But as buyers returned yesterday after a two-day Passover holiday, shares picked up 1.2 per cent, with investors seemingly content that the government had survived intact and that prosecutors had vindicated Mr Netanyahu.

After a strong run-up in the latter part of last year and the first six weeks of 1997, the market had run out of steam as the protracted and problematic search for peace outweighed positive news, such as the inclusion of Israel in the International Finance Corporation's benchmark indices for emerging markets.

Looking ahead, Mr Jeff Chowdhry at Foreign and Colonial Emerging Markets said that the Tel Aviv market was driven by inflation and interest rates, which themselves were inextricably linked to the peace process.

The Bank of Israel had said that further cuts in interest rates were unlikely unless there was progress on reducing the budget deficit and inflation. Mr Chowdhry suggested that in the coming months, the equity market was likely to be a moderate, rather than a star performer, as investors awaited implementation of proposed budget cuts.

Philips dominates in Amsterdam

EUROPE

A dramatic upsurge at Philips dominated trading in AMSTERDAM, where the electronics giant accounted for a third of the day's 1.4 per cent improvement in the AEX index.

Better than expected first-quarter results took Philips up Fl 5.90 or 6.5 per cent to Fl 97 in 10.9m shares traded, the heaviest turnover so far this year.

"What we have here is the return of the earnings momentum investor," said one broker. The stock, which touched a session best of Fl 100.70 around midmorning, met with modest profit-taking towards the close.

The first-quarter results were flattered by currency gains and the deconsolidation of the loss-making Grundig business; but they were, nonetheless, way ahead of most broker estimates. Brokers rapidly reassessed their earnings forecasts. NatWest Securities lifted its earnings per share estimate for 1997 6 per cent and moved up 12.5 per cent for 1998.

The London broker, which upgraded its short-term price target to Fl 110, felt that on a sum of the parts valuation the target price for Philips could be closer to Fl 140.

PolyGram, Philips' entertainment subsidiary, stayed in the doldrums after Tuesday's dull results, sliding a further Fl 1.10 to Fl 98.40 for a two-day decline of 4 per cent. At the close the AEX was up 10.25 at 753.94.

FRANKFURT liked the overnight Dow, strength in bonds and in the dollar, and the Dax index broke 3,400 at one point; but it trimmed its sails in the afternoon as the Dow wavered and after Siemens, a strong market earlier in the week, produced mildly disappointing half-year results.

Siemens, whose profits came in flat, fell DM2.90 or 3.2 per cent to DM88 and the Dax ended 40 points off the top at 3,366.87, up 17.97. In contrast to Siemens, the big insurers strengthened after weakness on Monday and Tuesday, Munich Re registered climbing DM140 or 3.6 per cent to DM4,040.

Turnover rose from DM10.5bn to DM12.6bn. In mid-caps, Wella prefs caught up with Tuesday's good earnings and a positive analysts' meeting; while some brokers had their doubts the haircare group had a very good day, rising DM77 or 8 per cent to DM1,039.

PARIS rallied. The CAC 40 index, off 106 points in four straight sessions, closed with a gain of 18.97 to 2,533.64. Dealers said that the market had an "on hold" feel to it with investors pushed to the sidelines by this week's announcement of a general election.

There was little news for traders to get their teeth into. An increase in the quarterly dividend helped lift L'Oréal FFr21.00 to FFr1,908. Accor was strong ahead of its results, gaining FFr35.00 or 4.1 per cent to FFr888.

ZURICH pushed further into record territory, supported by firm domestic bonds, and the SMI index ended 28.8 higher at 4,751.1.

Some pharmaceuticals and insurers found strong demand. Novartis registered rose SFr8 to SFr1,884 after Tuesday's losses while Roche certificates continued their recovery, up SFr140 to SFr12,200 after last week's sharp losses, which followed disappointing first-quarter sales.

Among insurers, Swiss Re found favour on the back of more brokers' recommendations, and ended SFr20 higher at SFr1,629, while Baloise added SFr95 at SFr3,030.

ABB continued to benefit from Tuesday's first-quarter results with a rise of SFr10 to SFr1,777 but Sulzer eased SFr4 to SFr1,015 and Alusuisse lost SFr7 to SFr1,221.

Among second liners, Esec rose SFr100 to SFr4,660 and Danzas rose SFr20 to SFr279, catching up after its recent underperformance.

STOCKHOLM, whose better days seemed to end with the first quarter of 1997, lost further ground as another drugs group took a tumble. Pharmacia & Upjohn said that first-quarter sales and earnings were below expectations, down 6 per cent and 16 per cent respectively. Shocked in Sweden, and downgraded by Lehman Brothers in the US, the shares dropped SKr39 or 14.5 per cent to SKr230. Still in drugs, Astra A extended their downward run with a fall of SKr4.50 to SKr302.

In engineering, Atlas Copco B dropped SKr11 to SKr188 after it saw no signs of improvement in the European construction market. There was good news from Volvo, which posted a 60 per cent rise in first-quarter operating profits; but the carmaker was caught up in the general depression and the B shares, which peaked at SKr208.50 at one point, ended SKr1 lower at SKr192.50 as the general index fell 10.14 to 2,608.75.

MADRID punched through the 500 barrier, the general index scoring its fifth successive all-time high at 504.41, up 6.05 or 1.3 per cent. Turnover, too, was high with more than Pta113bn changing hands.

The banking sector was particularly strong with a gain of 2.7 per cent. It was led by Banco Popular, up Pta2,100 or 7.8 per cent at Pta29,050 after the announcement of a Pta35bn stock buy-back, in conjunction with a four for one stock split. BCH added a big extension to its week's gains with a rise of Pta225 or 5.4 per cent at Pta4,425 while Argentaria, still slated for a public share offering of the Spanish government's near-30 per cent stake, climbed Pta190 or 3 per cent to Pta6,540.

Written and edited by William Cochrane, Michael Morgan and Jeffrey Brown

FTSE Actuaries Share Indices — THE EUROPEAN SERIES

Apr 23 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FTSE Eurotrack 100	2202.60	2203.39	2204.39	2203.47	2203.30	2203.14	2202.01	2201.74
FTSE Eurotrack 200	2236.75	2238.05	2240.33	2238.29	2241.03	2239.89	2235.33	2234.95

	Apr 22	Apr 21	Apr 18	Apr 17	Apr 16
FTSE Eurotrack 100	2184.68	2185.17	2187.55	2198.57	2179.74
FTSE Eurotrack 200	2219.56	2212.87	2205.06	2213.84	2201.84

Base value 1000 (26/10/90). High/day: 100 - 2205.20; 200 - 2241.34 Low/day: 100 - 2201.16 200 - 2234.26 † Partial.

Electronics surge pushes Taipei higher

ASIA PACIFIC

Wall Street's overnight surge lifted the region. TAIPEI was one of the strongest performers, advancing 1.7 per cent on the back of heavy demand for electronics shares that shot forward on talk of a price rebound for semiconductors.

At the close, the weighted index ended was 146.82 higher at 8,576.94 after 8,686.93. Turnover was again hectic at T$143bn.

Electronics as a sector rose 3.5 per cent. United Microelectronics and Taiwan Semiconductor both rose by the daily 7 per cent limit to T$66.5 and T$90.5.

TOKYO rebounded on buying by domestic public pension funds, and renewed interest in Nomura Securities following Tuesday's announcement of sweeping management resignations, *writes Gwen Robinson.*

The Nikkei 225 average rose 191.02 to 18,735.47 after moving between 18,617.76 and 18,842.38. New York's overnight rally, and early news of the resolution of the Peruvian hostage crisis lifted sentiment.

The Topix index of all first-section stocks added 15.21 at 1,420.79 and the capital-weighted Nikkei 300 rose 3.2 to 275.08. Volume swelled from 507m shares to an estimated 550m, and advances led declines by 746 to 402 with 118 unchanged.

Some laggards rose on bargain-hunting, led by financial stocks.

Nomura Securities, which announced a drastic management reshuffle on Tuesday, gained Y20 to Y1,390 after an intra-day high of Y1,420 in heavy turnover of 8.8m shares. Other brokers benefited from Nomura's upturn, Daiwa Securities adding Y37 to Y882 and Nikko Y15 to Y715.

Real estate stocks also continued to gain, with Mitsui Fudosan adding Y20 to Y1,470 and Mitsubishi Estate Y20 to Y1,560. Chemicals, however, were among laggards that retreated after recent gains, Mitsui Toatsu falling Y4 to Y357.

Blue chip exporters climbed as the dollar rose to an intra-day high of Y126.47 in Tokyo. Honda added Y40 to Y3,890, Canon Y90 to Y2,900 and Fuji Photo Film Y140 to Y4,580.

Toyota jumped Y110 to Y3,440, after a lacklustre performance in recent sessions, following news of its plans to introduce a stock option system.

In Osaka, the OSE average added 148.82 to 19,837.97 and volume eased to 23.2m shares. In London, the ISE/Nikkei 50 index rose 1.72 to 1,507.55.

HONG KONG came off its morning peak on caution regarding the longer term outlook for US and Hong Kong interest rates but the Hang Seng index still managed a gain of 126.19 to 12,707.04 after a day's high of 12,758.28.

Turnover climbed from HK$8.73bn to HK$9.90bn with local investors active in red chips; among the favourites, China Resources leapt HK$1.15 to HK$21.20 on heavy trade of HK$235.14m and Cosmos Machinery, in which China Resources's parent was taking a 24.3 per cent stake, surged HK$1.245 or 64.5 per cent to HK$3.175 in HK$164.72m.

KUALA LUMPUR dived into depression again after Monday's 2.1 per cent rebound, and the KLSE composite index dropped 10.90 to 1,109.60. The second board index of small capitalisation stocks afforded some minor consolation with a rise of 1.31 to 569.39.

SEOUL rose on bargain-hunting, the composite index ending 5.09 higher at 693.05. The government's plan to set up a Won1,500bn fund to liquidate bank bad debts was described as "not nearly large enough".

Jinro, the conglomerate that defaulted on debt payments on Monday, resumed trading after suspension and closed limit down, Won720 lower at Won8,350.

MANILA rallied strongly, helped by a denial from Megaworld Properties that it was facing bankruptcy. The composite index recovered two-thirds of Tuesday's steep fall, adding 53.11 or 1.9 per cent to 2,913.56. Turnover was heavy at 2.6bn pesos.

Megaworld, which fell 29 per cent on the previous day, rose 1.05 pesos to 4.80 pesos. Empire East, the group's housebuilding offshoot, gained 1.10 pesos to 4.75 pesos. However, brokers felt that worries about property overvaluation were likely to continue to gnaw away at market sentiment.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	TUESDAY APRIL 22 1997 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	MONDAY APRIL 21 1997 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (78)	221.97	0.3	201.04	177.06	197.47	189.70	0.1	4.01	221.26	200.66	175.57	195.81	189.60	225.77	188.44	204.80
Austria (24)	181.96	0.0	164.82	145.15	161.89	161.83	0.5	1.95	182.06	165.11	144.46	161.12	161.05	195.04	174.70	187.30
Belgium (26)	238.95	0.1	216.42	190.60	212.57	206.06	0.6	3.44	238.65	216.43	189.37	211.21	206.81	241.54	205.89	208.60
Brazil (30)	237.79	0.6	215.37	189.68	211.55	465.19	0.6	1.11	236.48	214.46	187.64	209.28	462.40	247.23	155.27	155.27
Canada (114)	185.52	1.4	168.03	147.98	165.04	187.56	1.4	2.06	182.91	165.88	145.14	161.87	185.04	203.31	154.12	161.16
Denmark (32)	358.87	0.3	325.03	286.26	319.26	318.28	0.8	1.59	357.91	324.59	284.00	316.75	315.89	378.98	291.89	297.62
Finland (28)	247.33	-1.3	224.01	197.29	220.03	268.55	-0.8	1.70	250.57	227.24	198.82	221.75	270.60	268.58	180.89	182.00
France (91)	209.81	-0.7	190.02	167.35	186.66	190.03	-0.3	2.99	211.37	191.69	167.72	187.07	190.61	228.25	188.94	197.21
Germany (59)	197.46	-0.8	178.84	157.50	175.66	175.66	-0.3	1.60	199.06	180.53	157.95	176.17	176.17	207.65	164.47	171.49
Hong Kong (66)	454.04	-0.3	411.23	362.17	403.93	451.58	-0.3	3.33	455.43	413.02	361.38	403.05	453.00	514.49	407.55	428.26
Indonesia (27)	230.06	0.3	208.38	183.52	204.68	341.43	0.5	1.60	229.29	207.94	181.94	202.92	339.63	–	–	–
Ireland (16)	332.37	-0.5	301.03	265.12	295.68	301.13	-0.5	3.17	334.15	303.04	265.14	295.72	302.51	343.35	270.06	276.48
Italy (58)	87.51	-1.3	79.25	69.80	77.85	111.41	-0.5	2.16	88.65	80.40	70.34	78.45	112.01	96.32	73.26	82.92
Japan (485)	114.17	-0.5	103.40	91.07	101.57	91.07	0.0	0.86	114.77	104.08	91.06	101.57	91.06	164.88	107.57	159.55
Malaysia (107)	550.90	-0.9	498.95	439.43	490.10	530.00	-1.2	1.21	555.79	504.05	441.02	491.88	536.38	660.85	512.47	577.22
Mexico (27)	1376.44	1.5	1246.65	1097.93	1224.52	11840.01	1.4	1.16	1355.51	1229.31	1075.59	1199.63	11673.36	1445.88	1110.35	1308.51
Netherland (19)	347.82	0.1	315.02	277.44	309.43	305.49	0.7	2.56	347.43	315.08	275.68	307.48	303.48	357.18	279.88	289.76
New Zealand (14)	85.16	0.1	77.13	67.93	75.76	65.13	0.0	4.36	85.11	77.19	67.54	75.33	65.14	95.60	75.94	82.25
Norway (41)	300.00	0.2	271.71	239.30	266.89	288.51	0.4	2.12	299.53	271.64	237.68	265.09	287.45	321.23	243.72	248.74
Philippines (22)	173.62	-3.2	157.25	138.49	154.46	228.15	-3.2	0.79	179.40	162.69	142.35	158.76	235.67	–	–	–
Singapore (43)	381.15	0.0	345.21	304.03	339.08	253.54	0.3	1.12	381.02	345.55	302.34	337.21	252.86	448.01	371.28	442.89
South Africa (44)	357.64	0.4	323.91	286.27	318.16	347.56	0.3	2.42	356.36	323.18	282.77	315.38	346.37	381.77	301.49	381.77
Spain (35)	224.21	0.5	203.07	178.84	199.46	245.64	0.9	2.67	223.20	202.42	177.11	197.54	243.33	228.16	171.91	178.38
Sweden (48)	415.58	-1.0	376.39	331.49	369.71	471.98	-0.6	2.21	419.83	380.56	332.97	371.38	474.89	448.64	334.35	349.12
Switzerland (36)	264.46	-0.1	239.52	210.95	235.27	238.84	0.4	1.37	264.60	239.97	209.96	234.18	237.75	264.60	229.38	245.53
Thailand (43)	81.96	0.0	74.25	65.39	72.93	82.93	0.0	3.76	81.95	74.32	65.03	72.58	82.90	164.16	73.98	177.60
United Kingdom (211)	283.22	0.5	256.51	225.91	251.96	256.51	0.3	3.82	281.91	255.66	223.69	249.49	255.66	285.30	228.85	236.23
USA (653)	313.42	1.8	283.87	250.00	278.83	313.42	1.8	1.93	307.96	279.29	244.36	272.54	307.96	331.54	254.79	264.34
Americas (824)	286.74	1.7	259.70	228.72	255.09	241.65	1.7	1.92	281.84	255.60	223.63	249.43	237.42	303.45	233.09	241.67
Europe (726)	244.29	-0.1	221.26	194.86	217.33	226.17	0.1	2.79	244.60	221.82	194.09	216.47	225.66	248.97	204.71	211.35
Nordic (150)	361.58	-0.7	327.48	288.41	321.67	355.84	-0.3	2.03	364.12	330.22	288.92	322.25	358.73	385.85	291.45	297.60
Pacific Basin (853)	133.16	-0.5	120.61	106.22	118.47	104.49	-0.1	1.39	133.76	121.31	106.14	118.38	104.58	177.01	127.18	172.42
Euro-Pacific (1609)	179.49	-0.3	162.57	143.17	159.68	150.44	0.0	2.18	179.97	163.21	142.80	159.27	150.38	191.51	173.65	188.53
North America (767)	305.56	1.8	276.75	243.74	271.84	305.09	1.8	1.94	300.29	272.33	238.27	265.75	299.63	323.69	248.65	257.93
Europe Ex. UK (515)	218.18	-0.5	197.59	174.02	194.08	204.81	0.0	2.19	219.17	198.77	173.91	193.97	204.75	224.70	186.65	192.67
Pacific Ex. Japan (368)	293.03	-0.2	265.40	233.74	260.68	254.66	-0.3	2.89	293.73	266.38	233.07	259.95	255.75	320.65	268.97	292.77
World Ex. US (1824)	182.35	-0.2	165.81	145.85	162.57	156.28	0.1	2.15	183.14	166.09	145.32	162.08	156.10	198.47	178.94	189.75
World Ex. UK (2266)	218.79	0.8	198.16	174.52	194.64	195.77	0.9	1.85	217.14	196.93	172.30	192.17	193.94	228.59	199.58	210.12
World Ex. Japan (1992)	280.64	1.0	254.09	223.78	249.56	271.02	1.1	2.27	277.85	251.98	220.47	245.90	268.21	292.72	238.10	242.10
The World Index (2477)	224.26	0.7	203.12	178.89	199.51	201.28	0.9	2.05	222.64	201.91	178.66	197.03	199.52	233.38	202.32	212.46

Latest prices were unavailable for this edition.

NYSE PRICES

4 pm close April 23

Continued from previous page

Price data supplied by Extel, part of FT Information.

Yearly highs and lows for NYSE reflect the period from Jan 1 1997. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

d-new yearly low. P/E price-earnings ratio. sls-sales. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.
§ Dealings suspended.

♣ FT Free Annual Reports Service

You can obtain the current annual reports and if available quarterly reports of any companies on the US exchanges with a ♣ symbol. To order reports ring (International Access) 1-804-320-8097 or give the names of the companies whose reports you want and fax your request to (International Access) 1-804-320-8135. Reports will be sent the next working day, subject to availability. You can also order online at http://www.icbinc.com/cgi-bin/ft.

NASDAQ NATIONAL MARKET

4 pm close April 23

AMEX PRICES

4 pm close April 23

EASDAQ

EASDAQ is a fully regulated independent pan European Stock Market focused on high growth companies with international aspirations. The shares of companies on the EASDAQ Stock Market can be bought and sold through EASDAQ Members. EASDAQ Members are made up of Brokers and Banks from across Europe.

Company	Mid price	Change on day	Volume	High	Low	Company	Mid price	Change on day	Volume	High	Low
ActivCard	US$7.5		0	8.25	7.5	Esprit Telecom ADS	US$10.5		0	12.25	9.75
Artwork Systems	US$10.375	-0.125	7000	11	9.5	Innogenetics	US$11.875		7800	12.75	10.375
Chemunex	FF18		82000	18	18	Mercer Internatl.	US$8.625	-0.25	1000	11.75	8.625
Dr Solomon's ADS	US$24.5	-0.25	0	26.5	16.875	PixTech	US$4.25		0	6.125	4.25

Prices for 23/4/97. Please note that mid prices are now used to calculate highs and lows.

Information about EASDAQ can be found on the Web site at: HTTP://WWW.EASDAQ.be
EASDAQ offices are located in Brussels (Tel. 32-2 / 227 65 20) and in London (Tel. 44-171 / 489 9990).

US shares mixed as techs advance

AMERICAS

Technology stocks were at the centre of attention in otherwise quiet midsession trading in New York in a reversal of the recent trend, *writes John Authers.*

Volume on the NYSE was also slightly higher than during recent sessions, with 283.4m shares traded by 1pm.

All the most closely watched technology stocks showed significant gains by midday, including Intel, the largest semiconductor manufacturer, up \$2⅞ at \$144, Microsoft, \$3¾ higher at \$114⅝, and Oracle \$1¾ ahead at \$57.

These comfortably outweighed a 21 per cent fall in Novell, the computer manufacturer, which fell \$1⅞ at \$7⅛, after Tuesday evening's second-quarter profits warning.

By midsession, the Nasdaq composite showed a gain of 10.39 at 1,223.13. By contrast, the Dow Jones Industrial Average had retreated slightly after Tuesday's 173.38-point gain, the largest daily rise of the decade, and was down 22.07 at 6,811.52.

The Standard & Poor's 500 was barely changed, off 1.12 at 773.49.

Most of the Dow constituents to register falls had shown strong gains on Tuesday. These included General Electric, down \$2 at \$106⅛, and Procter & Gamble, \$1⅝ lower at \$127.

Financial stocks were weak, possibly because yields moved upwards in the bond market ahead of a treasury auction, with shares in J.P. Morgan down \$1¼ at \$95⅞.

Corporate earnings reports produced some of the sharpest moves, with the profit warning by Saks Holdings, the department store group, seeing its shares drop by more than 30 per cent, down \$9⅝ at \$19⅞.

TORONTO pushed higher in early trading, adding to the strong gains of the previous day. At noon, the 300 composite index was 19.83 ahead at 5,875.20.

Golds remained a dull spot, but there was plenty to go for on the industrial pitches, notably at Northern Telecom, which continued to stride ahead on the back of Tuesday's upbeat earnings announcement. The shares were C\$1.70 higher at C\$97.70 at the end of the morning, having jumped by C\$4.05 a day earlier.

LIMA made a muted response to the end of the 126-day hostage crisis. Local analysts attempted to talk the market up with the message that Tuesday's developments should put an end to investor uncertainty and would allow the economy to resume its path of sustained growth. By midsession, the general index was 15.21 higher at 1,753.69.

SAO PAULO moved confidently higher at midsession, in spite of concerns over possible delays to the privatisation of CVRD, the state mining giant. The Bovespa index rose 127 to 9,600 as investors awaited court rulings on two injunctions which questioned aspects of the planned CVRD sell-off.

Industrials help keep South Africa ahead

Golds fell back in Johannesburg but a further advance for industrials pushed the all-share index ahead for the fourth day running to 7,080.2, up 14.3.

Volume was well above average and dealers said sentiment remained firm, helped by continued talk of a cut for interest rates ahead of this week's raft of economic data.

South African money supply, private sector credit growth and trade figures were all due today and tomorrow. At the close, the industrials index was up 40.3 at 8,414.8.

First National Bank retreated 25 cents to R31.50. Dull bullion pushed golds down 31.6 to 1,231.8.

Emerging markets: IFC weekly investable price indices

Market	No. of stocks	Dollar terms April 18 1997	% Change over week	% Change on Dec '96	Local currency terms April 18 1997	% Change over week	% Change on Dec '96
Latin America	(250)	627.46	-0.8	+8.8			
Argentina	(30)	1,008.58	+2.4	+6.1	618,529.63	+2.4	+6.1
Brazil	(68)	494.60	-1.4	+24.8	1,964.46	-1.2	+27.5
Chile	(46)	719.13	+0.8	+16.0	1,200.48	+0.2	+13.8
Colombia*	(14)	822.60	+1.8	+29.9	1,530.00	+1.0	+35.6
Mexico	(64)	590.82	+1.2	+11.5	2,005.03	+0.6	+25.5
Peru*	(19)	240.40	+0.5	+22.2	+391.34	+0.7	+25.3
Venezuela*	(9)	706.36	+0.9	-2.7	7,612.65	+1.3	-2.0
Asia	(710)	242.30	-2.3	-4.1			
China*	(27)	78.53	+4.5	+6.5	82.23	+4.5	+6.5
South Korea*	(158)	74.53	-0.9	-3.5	87.58	-0.7	+2.0
Philippines	(42)	264.09	-1.4	-10.1	336.40	-1.4	-9.8
Taiwan, China*	(90)	172.05	-3.6	+12.3	178.46	-3.6	+12.8
India*	(78)	92.39	+1.9	+17.3	117.36	+1.7	+17.1
Indonesia*	(49)	120.31	+0.1	-5.7	157.53	+0.3	-3.8
Malaysia	(148)	304.26	-3.6	-9.6	282.19	-3.3	-10.1
Pakistan*	(28)	228.04	-2.3	+16.5	416.58	-2.3	+16.5
Sri Lanka*	(5)	111.27	+10.4	+17.0	143.04	+10.6	+21.5
Thailand	(87)	190.75	-0.2	-13.8	197.47	-0.3	-12.4
Euro/Mid East	(264)	155.52	+0.3	+15.8			
Czech Rep	(7)	64.44	-2.9	-8.2	64.60	-2.0	+1.7
Egypt	(16)	106.72	+0.9	-	106.50	+0.8	-
Greece	(54)	329.55	+1.1	+36.0	604.32	+0.9	+49.2
Hungary*	(12)	242.61	+3.4	+23.3	526.63	+3.3	+37.6
Jordan	(7)	189.68	+0.7	+1.6	283.08	+0.8	+1.5
Morocco	(9)	134.19	+3.2	-	138.62	+3.0	-
Poland*	(30)	734.58	+0.1	+0.3	1,448.65	+0.5	+9.9
Portugal	(28)	158.15	+1.3	+8.2	187.65	+1.5	+20.3
Russia	(15)	109.04	+0.8	-	111.47	+0.8	-
Slovakia	(5)	108.12	-5.6	-	109.17	-5.9	-
South Africa*	(63)	234.04	-0.1	+12.2	215.06	-0.1	+6.7
Turkey*	(58)	204.48	+0.8	+37.5	12,881.62	+2.4	+69.0
Zimbabwe*	(5)	589.80	+1.9	+24.6	982.35	+2.1	+30.2
Composite	(1224)	315.02	-0.8	+8.8			

Indices are calculated at end-week; weekly changes are percentage movement from the previous Friday. Base date: Dec 1988=100 except those noted which are: [illegible]

The Israeli market looked to be back on track, albeit a rocky one, yesterday after last week's political storm that at times appeared to raise the prospect of early general elections, *writes Michael Morgan.*

The market fell 3.6 per cent last week as stunned investors digested news that police had recommended prosecution of Mr Benjamin Netanyahu, the prime minister, for alleged fraud and breach of trust over the short-lived appointment of an attorney-general in January. But as buyers returned yesterday after a two-day Passover holiday, shares picked up 1.2 per cent, with investors seemingly content that the government had survived intact and that prosecutors had vindicated Mr Netanyahu.

After a strong run-up in the latter part of last year and the first six weeks of 1997, the market had run out of steam as the protracted and problematic search for peace outweighed positive news, such as the inclusion of Israel in the International Finance Corporation's benchmark indices for emerging markets.

Looking ahead, Mr Jeff Chowdhry at Foreign and Colonial Emerging Markets said that the Tel Aviv market was driven by inflation and interest rates, which themselves were inextricably linked to the peace process.

The Bank of Israel had said that further cuts in interest rates were unlikely unless there was progress on reducing the budget deficit and inflation. Mr Chowdhry suggested that in the coming months, the equity market was likely to be a moderate, rather than a star performer, as investors awaited implementation of proposed budget cuts.

Philips dominates in Amsterdam

EUROPE

A dramatic upsurge at Philips dominated trading in **AMSTERDAM**, where the electronics giant accounted for a third of the day's 1.4 per cent improvement in the AEX index.

Better than expected first-quarter results took Philips up Fl 5.90 or 6.5 per cent to Fl 97 in 10.9m shares traded, the heaviest turnover so far this year.

"What we have here is the return of the earnings momentum investor," said one broker. The stock, which touched a session best of Fl 100.70 around mid-morning, met with modest profit-taking towards the close.

The first-quarter results were flattered by currency gains and the deconsolidation of the loss-making Grundig business; but they were, nonetheless, way ahead of most broker estimates. Brokers rapidly reassessed their earnings forecasts. NatWest Securities lifted its earnings per share estimate for 1997 9 per cent and moved up 12.5 per cent for 1998.

The London broker, which upgraded its short-term price target to Fl 110, felt that on a sum of the parts valuation the target price for Philips could be closer to Fl 140.

PolyGram, Philips' entertainment subsidiary, stayed in the doldrums after Tuesday's dull results, sliding a further Fl 1.10 to Fl 93.40 for a two-day decline of 4 per cent. At the close the AEX was up 10.25 at 758.94.

FRANKFURT liked the overnight Dow, strength in bonds and in the dollar, and the Dax index broke 3,400 at one point; but it trimmed its sails in the afternoon as the Dow wavered and after Siemens, a strong market earlier in the week, produced mildly disappointing half-year results.

Siemens, whose profits came in flat, fell DM2.90 or 3.2 per cent to DM88 and the Dax ended 40 points off the top at 3,366.87, up 17.97. In contrast to Siemens, the big insurers strengthened after weakness on Monday and Tuesday. Munich Re registered climbing DM140 or 3.6 per cent to DM4,040.

Turnover rose from DM10.5bn to DM12.6bn. In mid-caps, Wella prefs caught up with Tuesday's good earnings and a positive analysts' meeting; while some brokers had their doubts the haircare group had a very good day, rising DM77 or 8 per cent to DM1,039.

PARIS rallied. The CAC 40 index, off 106 points in four straight sessions, closed with a gain of 18.97 to 2,533.64. Dealers said that the market had an "on hold" feel to it with investors pushed to the sidelines by this week's announcement of a general election.

There was little news for traders to get their teeth into. An increase in the quarterly dividend helped lift L'Oréal FFr21.00 to FFr1,908. Accor was strong ahead of its results, gaining FFr35.00 or 4.1 per cent to FFr883.

ZURICH pushed further into record territory, supported by firm domestic bonds, and the SMI index ended 28.8 higher at 4,781.1.

Some pharmaceuticals and insurers found strong demand. Novartis registered rose SFr8 to SFr1,884 after Tuesday's losses while Roche certificates continued their recovery, up SFr140 to SFr12,200 after last week's sharp losses, which followed disappointing first-quarter sales.

Among insurers, Swiss Re found favour on the back of more brokers' recommendations, and ended SFr20 higher at SFr1,629, while Baloise added SFr95 at SFr3,030.

ABB continued to benefit from Tuesday's first-quarter results with a rise of SFr10 to SFr1,777 but Sulzer eased SFr4 to SFr1,015 and Alusuisse lost SFr7 to SFr1,221.

Among second liners, Esec rose SFr100 to SFr4,660 and Danzas rose SFr20 to SFr279, catching up after its recent underperformance.

STOCKHOLM, whose better days seemed to end with the first quarter of 1997, lost further ground as another drugs group took a tumble. Pharmacia & Upjohn said that first-quarter sales and earnings were below expectations, down 6 per cent and 16 per cent respectively. Shocked in Sweden, and downgraded by Lehman Brothers in the US, the shares dropped SKr39 or 14.5 per cent to SKr230. Still in drugs, Astra A extended their downward run with a fall of SKr4.50 to SKr302.

In engineering, Atlas Copco B dropped SKr11 to SKr188 after it saw no signs of improvement in the European construction market. There was good news from Volvo, which posted a 60 per cent rise in first-quarter operating profits; but the carmaker was caught up in the general depression and the B shares, which peaked at SKr203.50 at one point, ended SKr1 lower at SKr192.50 as the general index fell 10.14 to 2,608.73.

MADRID punched through the 500 barrier, the general index scoring its fifth successive all-time high at 504.41, up 6.05 or 1.3 per cent. Turnover, too, was high with more than Pta113bn changing hands.

The banking sector was particularly strong with a gain of 2.7 per cent. It was led by Banco Popular, up Pta2,100 or 7.8 per cent at Pta29,050 after the announcement of a Pta35bn stock buy-back, in conjunction with a four for one stock split. BCH added a big extension to its week's gains with a rise of Pta225 or 5.4 per cent at Pta4,425 while Argentaria, still slated for a public share offering of the Spanish government's near-30 per cent stake, climbed Pta190 or 3 per cent to Pta6,540.

FTSE Actuaries Share Indices

THE EUROPEAN SERIES

Apr 23 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FTSE Eurotrack 100	2202.80	2203.39	2204.38	2203.47	2203.30	2203.14	2202.01	2201.74
FTSE Eurotrack 200	2236.75	2239.05	2240.33	2238.29	2241.03	2238.88	2235.33	2234.95

	Apr 22	Apr 21	Apr 18	Apr 17	Apr 16
FTSE Eurotrack 100	2184.58	2185.17	2187.55	2193.57	2179.74
FTSE Eurotrack 200	2219.55	2212.87	2208.06	2213.84	2201.84

Base value 1000 (26/10/90); High/day: 100 - 2205.30; 200 - 2241.24 Low/day: 100 - 2201.15 200 - 2234.25. † Partial.

Written and edited by William Cochrane, Michael Morgan and Jeffrey Brown

Electronics surge pushes Taipei higher

ASIA PACIFIC

Wall Street's overnight surge lifted the region. **TAIPEI** was one of the strongest performers, advancing 1.7 per cent on the back of heavy demand for electronics shares that shot forward on talk of a price rebound for semiconductors.

At the close, the weighted index ended was 146.32 higher at 8,576.94 after 8,636.93. Turnover was again hectic at T\$143bn.

Electronics as a sector rose 3.8 per cent. United Microelectronics and Taiwan Semiconductor both rose by the daily 7 per cent limit to T\$66.5 and T\$90.5.

TOKYO rebounded on buying by domestic public pension funds, and renewed interest in Nomura Securities following Tuesday's announcement of sweeping management resignations, *writes Gwen Robinson.*

The Nikkei 225 average rose 191.02 to 18,735.47 after moving between 18,617.76 and 18,842.38. New York's overnight rally, and early news of the resolution of the Peruvian hostage crisis lifted sentiment.

The Topix index of all first-section stocks added 15.21 at 1,420.79 and the capital-weighted Nikkei 300 rose 3.2 to 275.08. Volume swelled from 507m shares to an estimated 550m, and advances led declines by 746 to 402 with 118 unchanged.

Some laggards rose on bargain-hunting, led by financial stocks.

Nomura Securities, which announced a drastic management reshuffle on Tuesday, gained Y20 to Y1,390 after an intra-day high of Y1,420 in heavy turnover of 8.8m shares. Other brokers benefited from Nomura's upturn, Daiwa Securities adding Y37 to Y882 and Nikko Y15 to Y715.

Real estate stocks also continued to gain, with Mitsui Fudosan adding Y20 to Y1,470 and Mitsubishi Estate Y20 to Y1,560. Chemicals, however, were among laggards that retreated after recent gains, Mitsui Toatsu falling Y4 to Y357.

Blue chip exporters climbed as the dollar rose to an intra-day high of Y126.47 in Tokyo. Honda added Y40 to Y3,890, Canon Y90 to Y2,900 and Fuji Photo Film Y140 to Y4,580.

Toyota jumped Y110 to Y3,440, after a lacklustre performance in recent sessions, following news of its plans to introduce a stock option system.

In Osaka, the OSE average added 148.82 to 19,837.97 and volume eased to 23.2m shares. In London, the ISE/Nikkei 50 index rose 1.72 to 1,507.55.

HONG KONG came off its morning peak on caution regarding the longer term outlook for US and Hong Kong interest rates but the Hang Seng index still managed a gain of 126.19 to 12,707.04 after a day's high of 12,758.28.

Turnover climbed from HK\$8.73bn to HK\$9.90bn with local investors active in red chips; among the favourites, China Resources leapt HK\$1.15 to HK\$21.20 in heavy trade of HK\$235.14m and Cosmos Machinery. In which China Resources's parent was taking a 24.3 per cent stake, surged HK\$1.245 or 64.5 per cent to HK\$3.175 in HK\$164.72m.

KUALA LUMPUR dived into depression again after Monday's 2.1 per cent rebound, and the KLSE composite index dropped 10.90 to 1,109.60. The second board index of small capitalisation stocks afforded some minor consolation with a rise of 1.31 to 569.29.

SEOUL rose on bargain-hunting, the composite index ending 5.09 higher at 693.05. The government's plan to set up a Won1,500bn fund to liquidate bank bad debts was described as "not nearly large enough".

Jinro, the conglomerate that defaulted on debt payments on Monday, resumed trading after suspension and closed limit down, Won720 lower at Won8,350.

MANILA rallied strongly, helped by a denial from Megaworld Properties that it was facing bankruptcy. The composite index recovered two-thirds of Tuesday's steep fall, adding 53.11 or 1.9 per cent to 2,912.56. Turnover was heavy at 2.6bn pesos.

Megaworld, which fell 29 per cent on the previous day, rose 1.05 pesos to 4.80 pesos. Empire Land, the group's housebuilding offshoot, gained 1.10 pesos to 4.75 pesos. However, traders felt that worries about property oversupply were likely to continue to gnaw away at market sentiment.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	TUESDAY APRIL 22 1997 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	MONDAY APRIL 21 1997 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (76)	221.97	0.3	201.04	177.06	197.47	189.70	0.1	4.01	221.26	200.66	175.57	195.81	189.60	225.77	188.44	204.50
Austria (24)	181.98	0.0	164.82	145.15	161.89	161.83	0.5	1.95	182.06	165.11	144.46	161.12	161.05	195.04	174.70	187.30
Belgium (26)	238.95	0.1	216.42	190.60	212.57	208.06	0.6	3.44	238.65	216.43	189.37	211.21	206.81	241.54	205.89	208.60
Brazil (30)	237.79	0.6	215.37	189.68	211.55	465.19	0.6	1.11	236.48	214.46	187.64	209.28	462.40	247.23	155.27	155.27
Canada (114)	185.52	1.4	168.03	147.98	165.04	187.56	1.4	2.08	182.91	165.88	145.14	161.87	185.04	203.31	154.12	161.16
Denmark (32)	358.87	0.3	325.03	286.26	319.26	318.28	0.8	1.59	357.91	324.59	284.00	316.75	315.69	376.98	291.89	297.62
Finland (28)	247.33	-1.3	224.01	197.29	220.03	268.55	-0.8	1.70	250.57	227.24	198.82	221.75	270.60	268.58	180.89	182.00
France (91)	209.81	-0.7	190.02	167.35	186.65	190.03	-0.3	2.99	211.37	191.69	167.72	187.07	190.61	226.25	186.94	197.21
Germany (59)	197.46	-0.8	178.84	157.50	175.66	175.68	-0.3	1.60	199.06	180.53	157.95	176.17	176.17	207.65	164.47	171.49
Hong Kong (66)	454.04	-0.3	411.23	362.17	403.93	451.58	-0.3	3.33	455.43	413.02	361.38	403.05	453.00	514.49	407.55	428.26
Indonesia (27)	230.08	0.3	208.38	183.52	204.68	341.43	0.5	1.60	229.29	207.94	181.94	202.92	339.63	-	-	-
Ireland (16)	332.37	-0.5	301.03	265.12	295.68	301.13	-0.5	3.17	334.15	303.04	265.14	295.72	302.51	343.35	270.08	276.48
Italy (59)	87.51	-1.3	79.25	69.80	77.85	111.41	-0.5	2.16	88.65	80.40	70.34	78.45	112.01	96.32	73.26	82.92
Japan (485)	114.17	-0.5	103.40	91.07	101.57	91.07	0.0	0.86	114.77	104.08	91.06	101.57	91.06	164.68	107.57	159.55
Malaysia (107)	550.90	-0.9	498.95	439.43	490.10	530.00	-1.2	1.21	555.79	504.05	441.02	491.88	536.36	660.85	512.47	577.22
Mexico (27)	1376.44	1.5	1246.65	1097.93	1224.52	11840.01	1.4	1.16	1355.51	1229.31	1075.59	1199.63	11673.36	1445.68	1110.35	1306.51
Netherland (19)	347.82	0.1	315.02	277.44	309.43	305.49	0.7	2.56	347.43	315.08	275.68	307.48	303.48	357.18	279.98	289.76
New Zealand (14)	85.16	0.1	77.13	67.93	75.76	65.13	0.0	4.36	85.11	77.19	67.54	75.33	65.14	95.60	75.94	82.25
Norway (41)	300.00	0.2	271.71	239.30	266.89	288.51	0.4	2.12	299.53	271.64	237.68	265.09	287.46	321.23	243.72	248.74
Philippines (22)	173.62	-3.2	157.25	138.49	154.46	228.15	-3.2	0.79	179.40	162.69	142.35	158.76	235.67	-	-	-
Singapore (43)	381.15	0.0	345.21	304.03	339.08	253.54	0.3	1.12	381.02	345.55	302.34	337.21	252.88	448.01	371.28	442.89
South Africa (44)	357.64	0.4	323.91	285.27	318.16	347.58	0.3	2.42	356.36	323.18	282.77	315.38	346.37	381.77	301.49	381.77
Spain (35)	224.21	0.5	203.07	178.84	199.46	245.64	0.9	2.67	223.20	202.42	177.11	197.54	243.33	228.16	171.91	178.38
Sweden (48)	415.58	-1.0	376.39	331.49	369.71	471.98	-0.6	2.21	419.63	380.56	332.97	371.38	474.89	448.64	334.35	349.12
Switzerland (36)	264.46	-0.1	239.52	210.95	235.27	238.64	0.4	1.37	264.60	239.97	209.96	234.18	237.75	264.60	229.36	245.53
Thailand (43)	81.98	0.0	74.25	65.39	72.93	82.93	0.0	3.76	81.95	74.32	65.03	72.53	82.90	184.18	73.98	177.60
United Kingdom (211)	283.22	0.5	256.51	225.91	251.96	256.51	0.3	3.82	281.91	255.66	223.69	249.49	255.68	285.30	228.85	236.23
USA (653)	313.42	1.8	283.87	250.00	278.83	313.42	1.8	1.93	307.96	279.29	244.36	272.54	307.96	331.54	254.79	264.34
Americas (824)	286.74	1.7	259.70	228.72	255.09	241.55	1.7	1.92	281.84	255.60	223.63	249.43	237.42	303.45	233.09	241.67
Europe (726)	244.29	-0.1	221.26	194.86	217.33	226.17	0.1	2.79	244.60	221.82	194.09	216.47	225.86	248.97	204.71	211.35
Nordic (150)	361.58	-0.7	327.48	288.41	321.67	355.64	-0.3	2.03	364.12	330.22	288.92	322.25	356.73	385.85	291.45	297.60
Pacific Basin (883)	133.16	-0.5	120.61	106.22	118.47	104.49	-0.1	1.39	133.76	121.31	106.14	118.38	104.56	177.01	127.18	172.42
Euro-Pacific (1609)	179.49	-0.3	162.57	143.17	159.68	150.44	0.0	2.18	179.97	163.21	142.80	159.27	150.38	191.51	173.55	188.53
North America (767)	305.56	1.8	276.75	243.74	271.84	305.09	1.8	1.94	300.29	272.33	238.27	265.75	299.83	323.69	248.65	257.93
Europe Ex. UK (515)	218.16	-0.5	197.58	174.02	194.08	204.81	0.0	2.19	219.17	198.77	173.91	193.97	204.75	224.70	185.65	192.67
Pacific Ex. Japan (398)	293.03	-0.2	265.40	233.74	260.68	254.86	-0.3	2.89	293.73	266.38	233.07	259.95	255.75	320.65	268.97	292.77
World Ex. US (1824)	182.85	-0.2	165.61	145.85	162.67	156.28	0.1	2.15	183.14	166.09	145.32	162.08	156.10	193.47	176.94	189.75
World Ex. UK (2266)	218.79	0.8	198.16	174.52	194.64	195.77	0.9	1.85	217.14	196.93	172.30	192.17	193.94	228.59	199.58	210.12
World Ex. Japan (1992)	280.54	1.0	254.09	223.78	249.58	271.02	1.1	2.27	277.85	251.98	220.47	245.90	268.21	292.72	233.10	242.10
The World Index (2477)	224.26	0.7	203.12	178.89	199.51	201.29	0.9	2.05	222.64	201.91	176.66	197.03	199.52	233.38	202.32	212.46

Latest prices were unavailable for this edition.

هكذا من الاصل